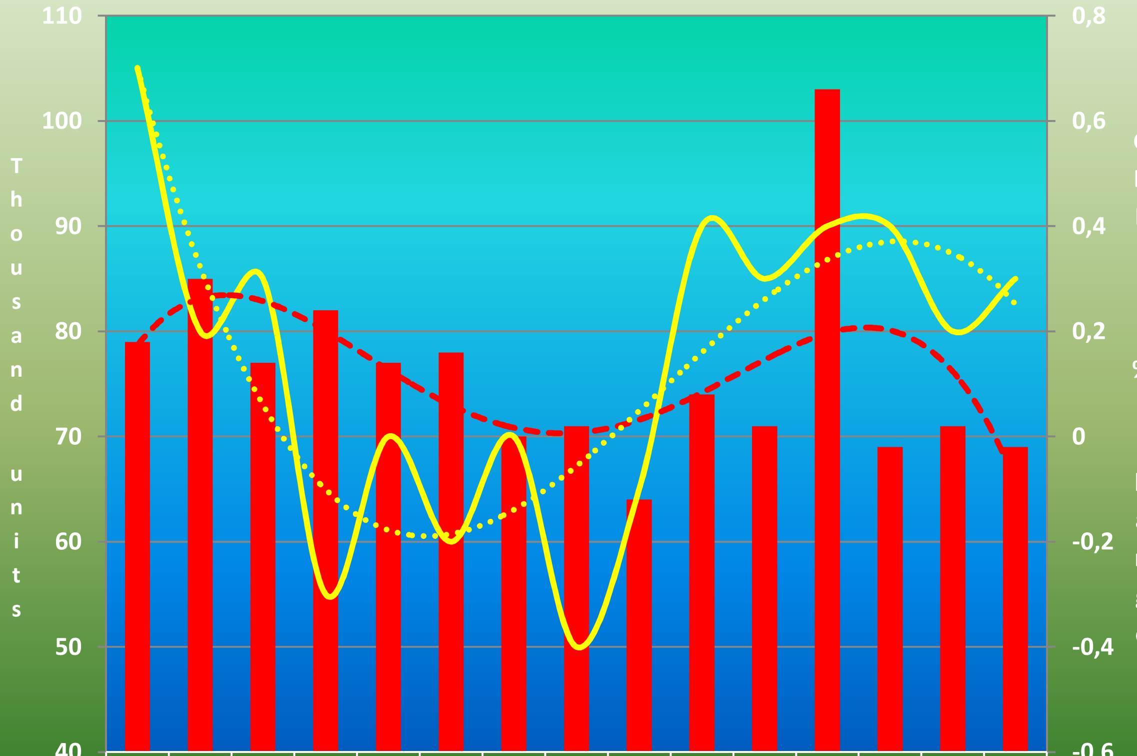
Economic analysis of the European Truck markets > 3.5t

Data and perspectives of the EU+EFTA Production and Registration of trucks (> 3.5 t) and GDP.

Outlook 2014 and Forecast 2015

Last year in this period, preparing the analogous report, we underlined how a new European Economic recession, which began at the end of 2011 and continued throughout 2012 and the first quarter of last year, had a severe impact on the truck market, especially in the euro area. European GDP began to recover in the rest of last year, and the truck market quickly adapted to the improved economic climate, ending the year with an exceptional peak in the last quarter, due to the anticipation of purchases in view of the entry into force of the Euro VI legislation from January 1 this year.
To give a first image of both trends together we prepared a table with trucks registrations by quarter (Source Acea) compared with the quarterly GDP data from Eurostat.

Table 1 - Europe (EU28+Efta) - ITrucks Registrations > 3.5 t & GDP



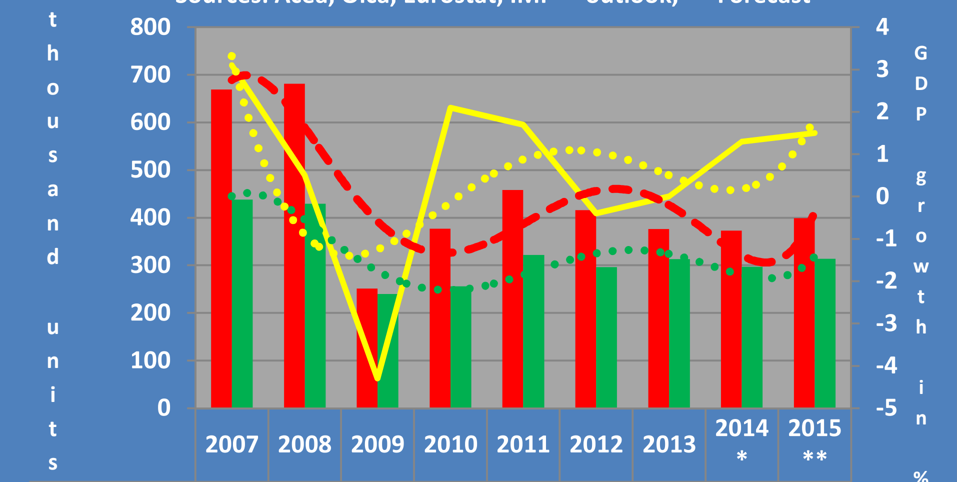
	2011 Q1	Q2	Q3	Q4	2012 Q1	Q2	Q3	Q4	2013 Q1	Q2	Q3	Q4	2014 Q1	Q2	Q3
Regstr.	79	85	77	82	77	78	70	71	64	74	71	103	69	71	69
GDP	0,7	0,2	0,3	-0,3	0	-0,2	0	-0,4	-0,1	0,4	0,3	0,4	0,4	0,2	0,3

This resulted in the above table (Table 1) from the analysis of which we can draw the following conclusions:

1. As already resulted last year, in the period examined the correlation coefficient between GDP and registrations is very low (0.25), especially for the anomalous value of registrations in the last quarter of last year, but also because, despite the economic crisis began to bite again in late 2011 and 2012, truck sales were influenced by the need to renew the fleet after the block of the crisis of late 2008. Clearly by the end of 2011, when we came to a full-blown recession in many areas, but especially the eurozone, demand has not failed to contract.
2. Especially since the second quarter of this year, GDP returned to contract across the Eurozone, particularly evident in Italy, but also in Germany and France, and the prospects for next year are certainly not brilliant. Slight recovery in the third quarter.

To get to a more detailed analysis is useful to start from an analysis of annual data, available until the end of last year, the outlook for the current year, extrapolating data through October and our forecasts for next year.
And that is 'what appears in Table 2.
The data are from OICA for production, (whose data are however partial after 2011 since data for some countries are missing due to the famous investigation of the European Commission on data exchange), ACEA registrations, the Economic release of the European Commission in November (Autumn forecast), plus IMF October release for GDP.

Table 2 - Production, Trucks Registrations and GDP
Sources: Acea, Oica, Eurostat, IMF - *outlook, ** Forecast

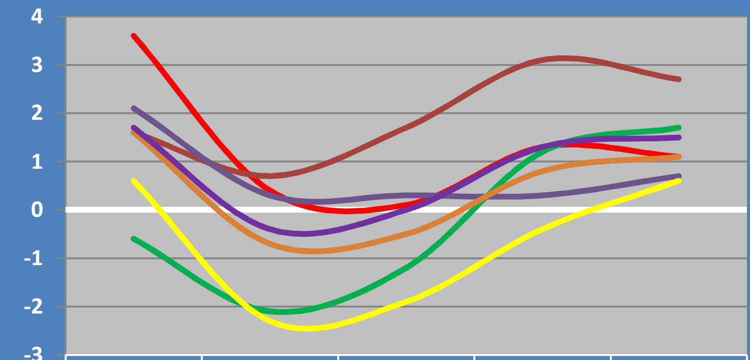


	2007	2008	2009	2010	2011	2012	2013	2014 *	2015 **
Product.	669	681	251	377	458	416	376	373	399
Registr.	438	429	240	256	322	296	313	297	314
GDP	3,1	0,5	-4,3	2,1	1,7	-0,4	0	1,3	1,5

For 2014 official registrations are available until September, and then the outlook is quite realistic, but we had to bear in mind the anomalous trend of the last quarter of last year in projecting the outlook for this year and the forecasts for next year. In both cases, we proceeded to an analysis country by country, and what appears in the table is the sum of the individual forecasts for the major areas in which Europe is divided (see Tables 4 to 8).
You will immediately notice the boost to the reduction of stocks from 2009, and in fact registrations and production move in parallel since then. Deliveries have suffered especially in 2010, in spite of GDP and demand recovery that lasted until the end of 2011. In 2012 the economy of the EU and the euro area in particular went back in crisis to recover marginally last year, the year that ended positively in terms of registrations but especially for the anticipation of purchases that has occurred at the end of the year in view of the introduction of the new Euro VI legislation scheduled for the 1st of January this year. And this will be reflected in the total market for this year that in fact we expect to decrease of about 5%. Production is expected to increase more consistently next year, with the more marked recovery of income.

Situation and potential of individual markets.

Table 3 - GDP Trend in Europe
Source: European Commission (November)



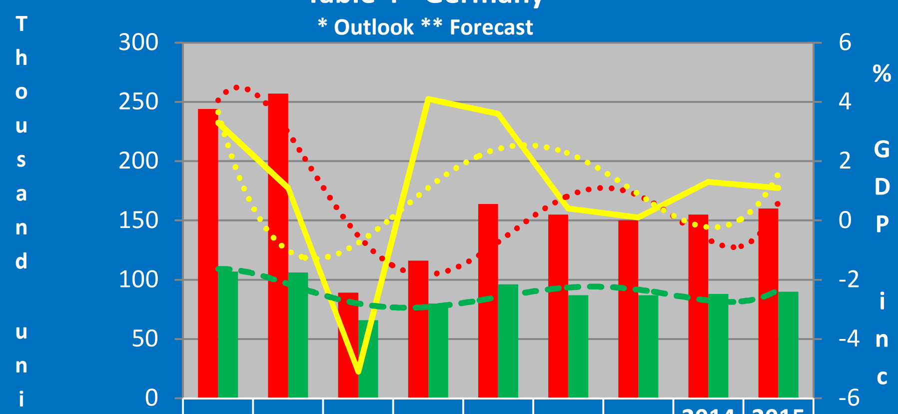
	2011	2012	2013	2014	2015
Germany	3,6	0,4	0,1	1,3	1,1
UK	1,6	0,7	1,7	3,1	2,7
Spain	-0,6	-2,1	-1,2	1,2	1,7
France	2,1	0,3	0,3	0,3	0,7
Italy	0,6	-2,3	-1,9	-0,4	0,6
Euro area	1,6	-0,7	-0,5	0,8	1,1
EU 28	1,7	-0,4	0	1,3	1,5

Let's first look at the forecast of economic growth in the next year based on the data published on November 4 by the European Commission. The EU, with its Autumn Forecast, expects weak growth for the rest of the year in both the EU and the euro area. GDP is forecast to grow by 1.3% this year in the EU and by 0.8% in the Euro zone. Growth should recover slowly over the course of 2015, respectively by 1.5% and of by 1.1%.

From Table 3 we can see the exploit of Britain that since 2012 has clearly exceeded the growth rate of Germany, that instead, since 2012, registered a sharp contraction in the pace of development of its economy, with a slight recovery only this year. Even for next year Britain should grow more than Germany, which is expected to remain substantially at the European average levels. Especially strong the recovery in Spain that next year should even exceed the growth rate of Germany. Remains in recession Italy expected to recover only next year. Modest recovery in France.

In Germany (Table 4) the resumption of production and registrations was more rapid and consistent of the rest of Europe in 2010 and continued in 2011. The growth rate has however been gradually reducing in 2012 and has remained at the same level in 2013 for the good results of last quarter. A slight recovery is expected this year, but especially next year.

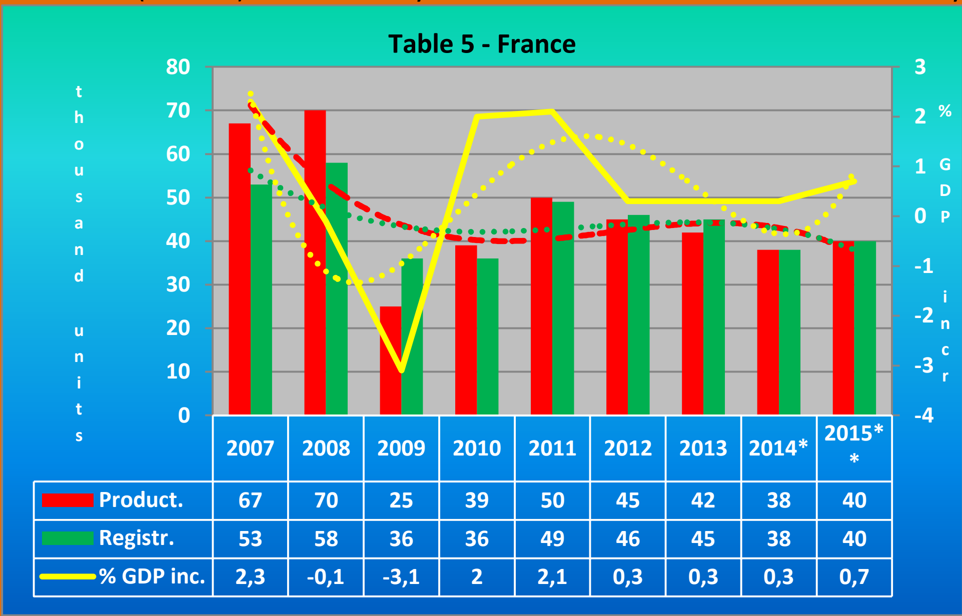
Table 4 - Germany
*** Outlook ** Forecast**



	2007	2008	2009	2010	2011	2012	2013	2014 *	2015 **
Product.	244	257	89	116	164	155	150	155	160
Registr.	107	106	66	80	96	87	87	88	90
% GDP incr.	3,3	1,1	-5,1	4,1	3,6	0,4	0,1	1,3	1,1

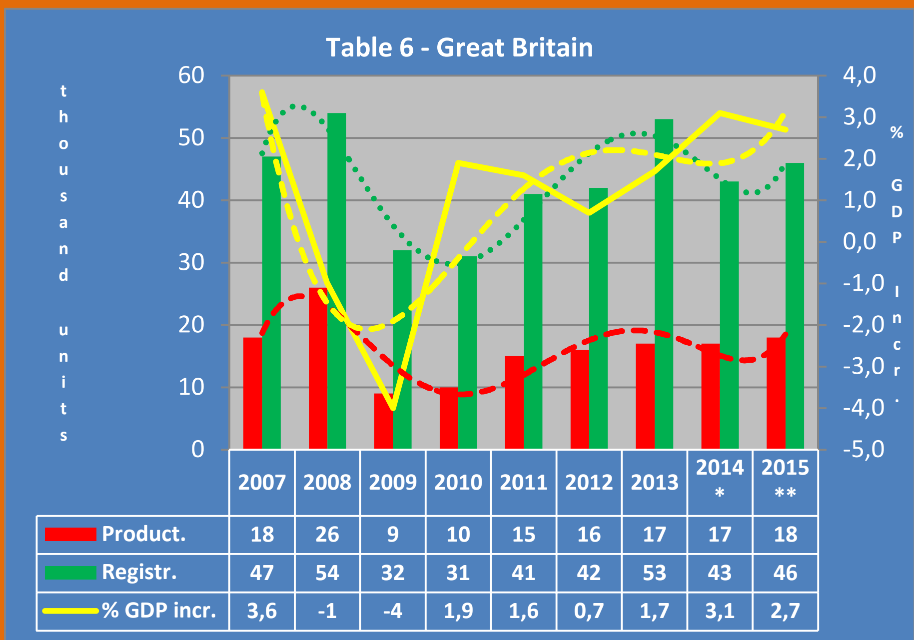
We anticipate that, having satisfied the domestic demand, which tended in 2011 to drop back to values close to pre-crisis levels, and with limited boost to rising inventories, production will stabilize in 2014 on the average levels of the past two years, to recover modestly in 2015 following a certain increase of the demand.

In France (table 5) the economy exit from the crisis in which the country had fallen again in 2012 only with the second quarter last year. Trucks production and registrations were affected in equal measure. In particular, registrations of trucks, increased by over 35% in 2011, slowed down considerably in the second half of 2012, and have continued to flex even in 2013 until September, with a slight recovery at the end of year. This year the market is back in the red and will to close with a loss estimated at over 10%. A modest recovery is postponed to 2015 with the expected recovery of the economy. The production, which contracted in 2009 a lot more than registrations, also for the reduction of stocks, has also resumed in 2011 at the same rate of registrations and subsequently declined progressively in line with the trend in demand.
On this basis we have tried to make a forecast for next year, also linked to the exit from the economic stagnation.



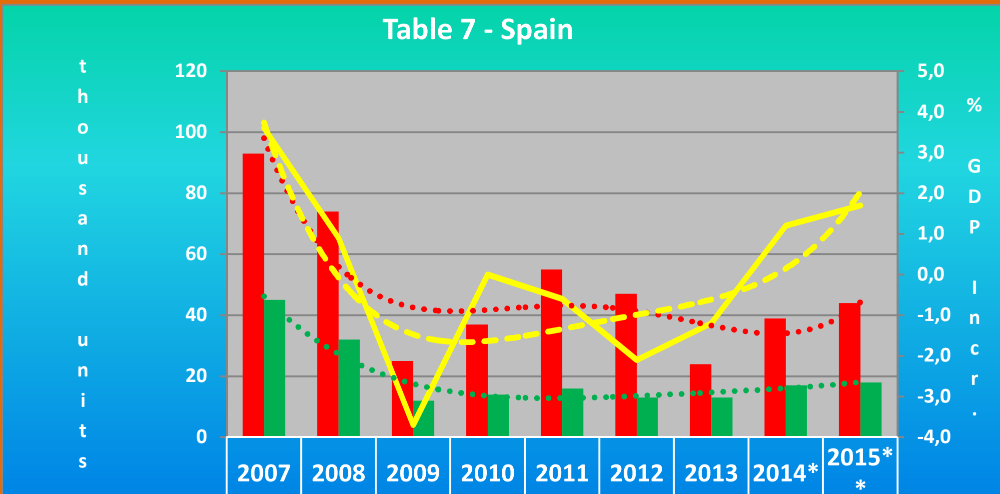
	2007	2008	2009	2010	2011	2012	2013	2014*	2015**
Product.	67	70	25	39	50	45	42	38	40
Registr.	53	58	36	36	49	46	45	38	40
% GDP inc.	2,3	-0,1	-3,1	2	2,1	0,3	0,3	0,3	0,7

Great Britain (Table 6). After the 2008/2009 collapse production and registrations then resumed significantly only from 2011 and remained positive throughout 2012, although with a downward trend. From June last year the truck market was growing again significantly to close with a boom in sales in the last quarter, due to the anticipation of purchases in view of Euro VI. But this fact explains the fall in registrations since January of this year and the forecast is for a closing of the year with a downfall of about 15%. The good economic prospects anticipated for next year (the absolutely best in the EU) suggest a new good development in demand for trucks and therefore also of the local production.



	2007	2008	2009	2010	2011	2012	2013	2014*	2015**
Product.	18	26	9	10	15	16	17	17	18
Registr.	47	54	32	31	41	42	53	43	46
% GDP incr.	3,6	-1	-4	1,9	1,6	0,7	1,7	3,1	2,7

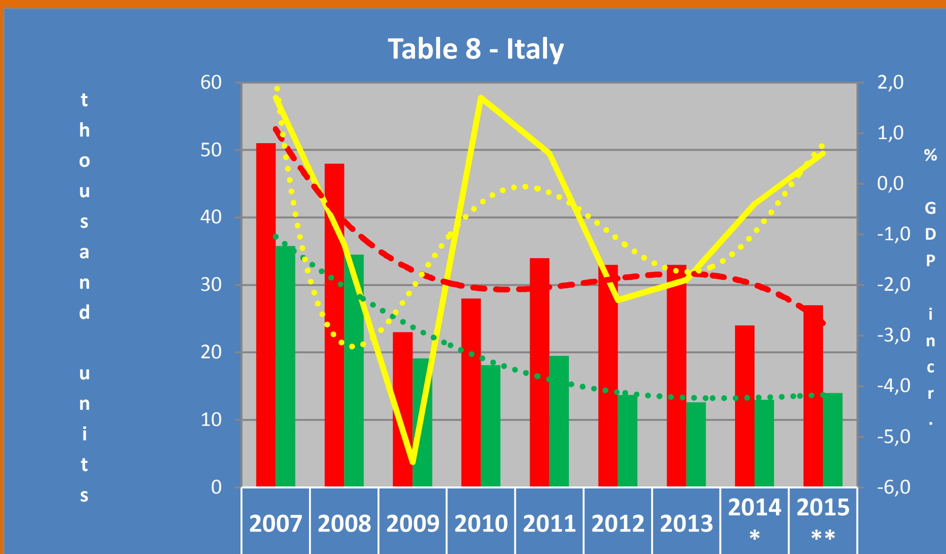
The truck market in Spain (Table 7) was among those which most felt the effects of the global crisis, and the next one in 2012, but is coming out of it faster than others. Production and demand have recovered mainly in 2011 but remained far removed from the values before the crisis. In 2012 the market started to fall again, and that continued up to past year, given the new recession in which the country had fallen again, the exit from which started at the beginning of this year. Production and sales, although picking up this year and next year, will continue to remain far short of the pre-crisis values.



	2007	2008	2009	2010	2011	2012	2013	2014*	2015**
Product.	93	74	25	37	55	47	24	39	44
Registr.	45	32	12	14	16	13	13	17	18
% GDP incr	3,6	0,9	-3,7	0,0	-0,6	-2,1	-1,2	1,2	1,7

Much heavier the situation in Italy (Table 8), both from the side of the economic development, which sees Italy the worst among EU and OECD countries, and on the demand side, which has not recovered as in the rest of Europe from the crisis of 2012, still ongoing in the peninsula.

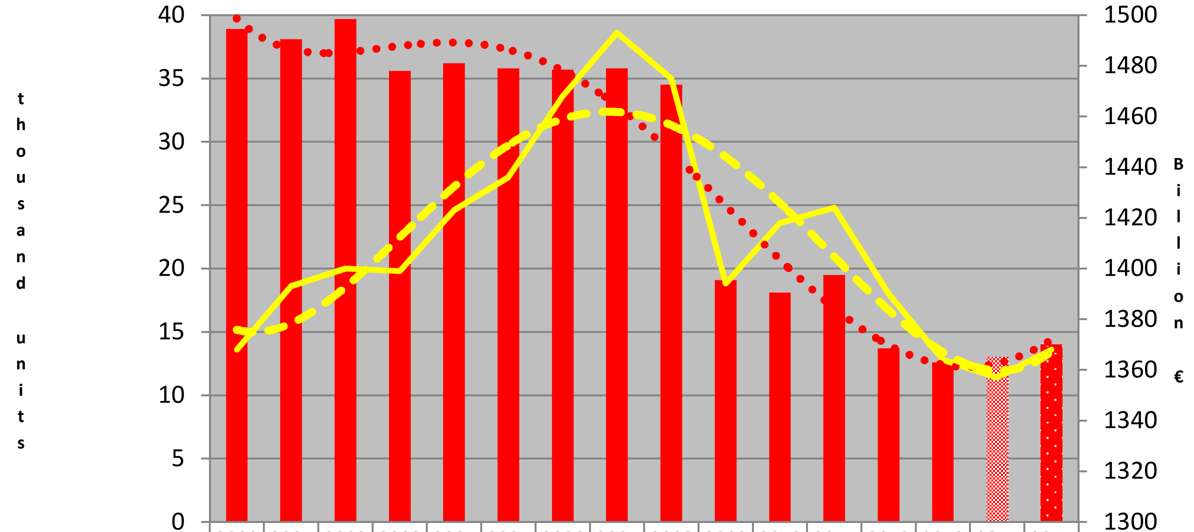
According to ACEA's trucks registration > 3.5 t registrations in Italy increased in 2011 by only 14.4% against a European average of 29%. In 2012, demand fell by 29.4% against a European average loss of 8.7%: in practice at the end of the year the total demand had returned to the levels of the early nineties of the last century. Last year, the market lost a further 8.3%. This year the market will remain basically at the values of last year, with perhaps a slight recovery of a few percentage points.



	2007	2008	2009	2010	2011	2012	2013	2014*	2015**
Product.	51	48	23	28	34	33	33	24	27
Registr.	35,8	34,5	19,1	18,1	19,5	13,7	12,6	13	14
% GDP incr.	1,7	-1,2	-5,5	1,7	0,6	-2,3	-1,9	-0,4	0,6

Table 9 shows registrations since 2000 and it is interesting to note that if until 2002 there is a high correlation between demand and GDP indexes (correlation 0.96), from 2003 to 2008 demand seems to have been mainly conditioned by the availability of product, probably directed towards more profitable markets; from 2009 onwards, demand was at the mercy of the dramatic recession, (again with a very high value of correlation between sales and GDP (0.93)), which will continue until 2015, also conditioned by the shift to low- labor costs markets of corporate headquarters and product purchases by some Italian trucking companies.

Table 9 - Italy: Trucks > 3,5 t. Registrations and GDP



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Registr.	38,9	38,1	39,7	35,6	36,2	35,8	35,7	35,8	34,5	19,1	18,1	19,5	13,7	12,6	13	14
GDP	1368	1393	1400	1399	1423	1436	1468	1493	1475	1394	1418	1424	1390	1364	1357	1368

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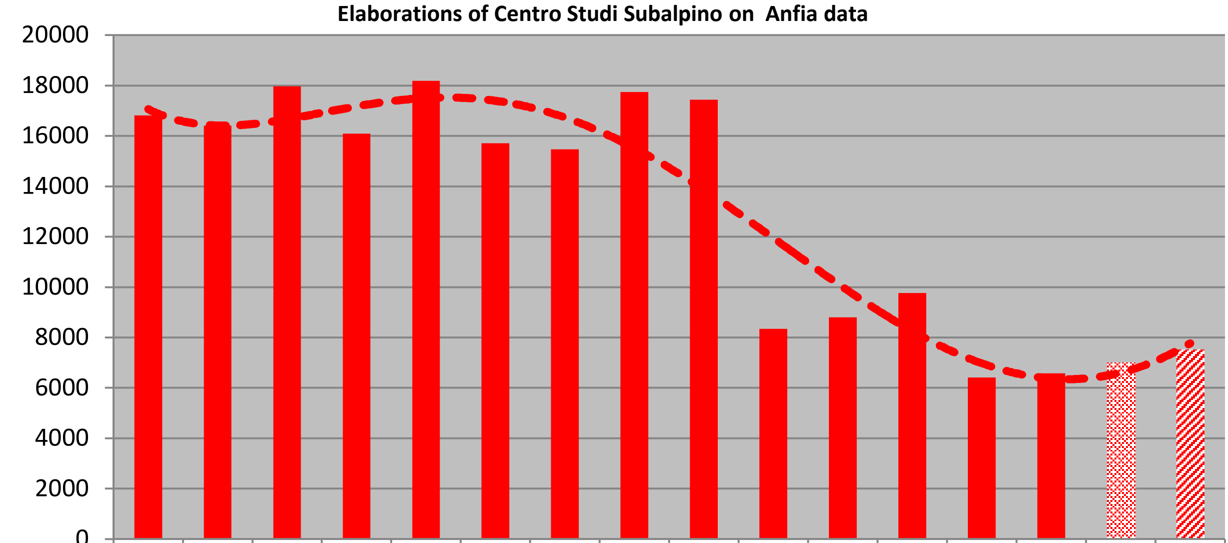
On the production side things had gone better until last year, because about 85% of production was exported. From this year we are watching instead a real collapse, caused mainly by the sharp decline of the stocks due to the decrease in demand throughout Europe. On this basis and on the European demand forecast we have formulated the hypothesis of outlook 2014 and 2015 forecast. The drama of the Italian situation is also evidenced by the registration of trailers and semi-trailers > 3,5 t. which has fallen in 2012 below the already low levels reached with the global crisis of 2009.

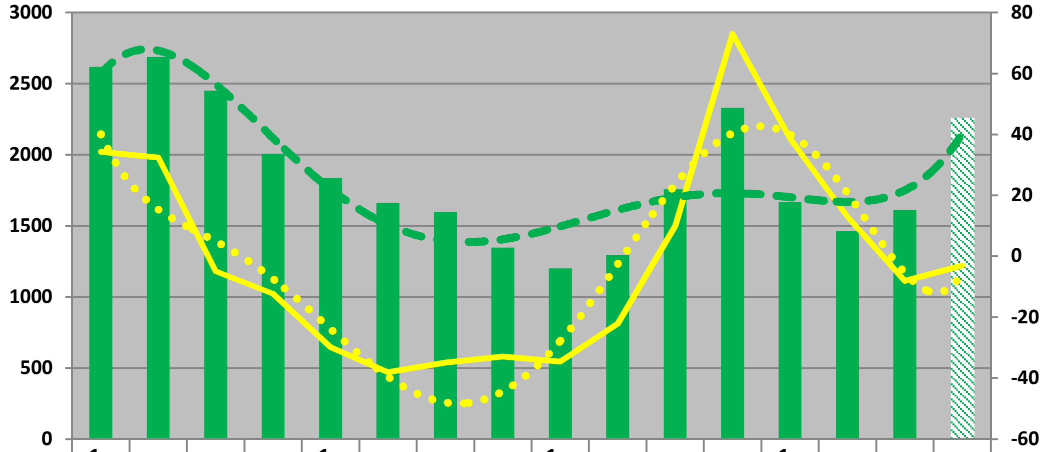
Table 10 - Italy - Trailers and semitrailers > 3,5 t registrations
Elaborations of Centro Studi Subalpino on Anfia data



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Volumi	16817	16415	17971	16094	18185	15708	15463	17746	17439	8340	8805	9759	6415	6581	7000	7500

A slow recovery seems to be happening this year and is expected to continue next year
If truck registrations fell by two thirds compared to 2000, virtually the same was true for trailers and semitrailers.

Table 11 - Italy: Trailers and Semitrailers markets by quarter
Elaborations Centro Studi Subalpino on Anfia data



	1o 11	2	3	4	1o 12	2	3	4	1o 13	2	3	4	1o 14	2	3	4
Volumes	2617	2687	2452	2006	1835	1663	1596	1347	1201	1294	1756	2330	1666	1461	1613	2260
% inc.q/q	34,3	32,4	-4,9	-12	-30	-38	-35	-33	-35	-22	10	73	38,7	12,9	-8,1	-3

The analysis by quarters seems to indicate the achievement of the lower turning point in the middle of last year, also for the incentives campaign launched by the government in the spring of last year.

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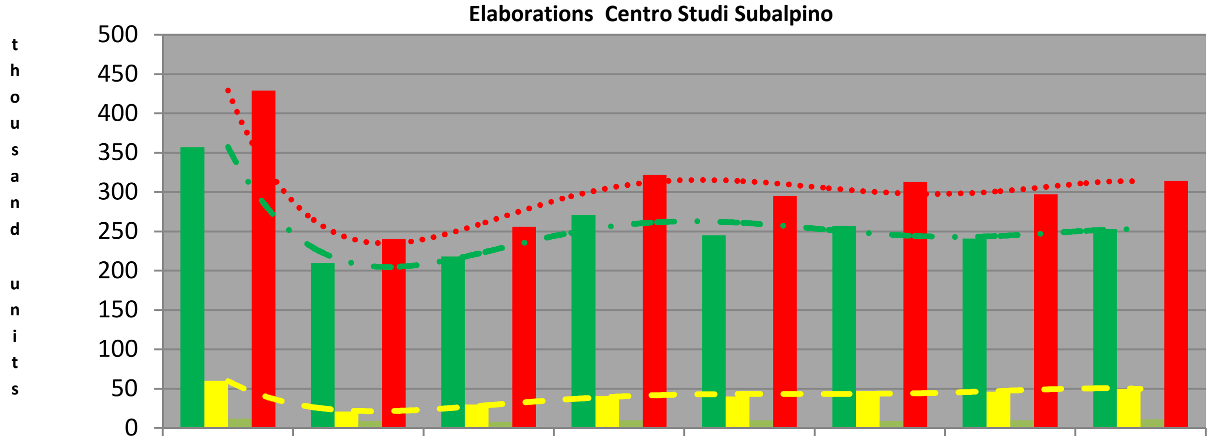
Assessment of Trucks demand in Europe in 2014 and 2015

After the analysis of the individual "Major Markets" we carried out a comprehensive analysis of the total European Market, (Table 12) extrapolating 2014 on the basis of actual figures for the first 10 months, and 2015 on the basis of forecasts of macroeconomic data.
The totals for the EU-15 are obtained by evaluating the results of the first 10 months of registration of the other 10 countries and adding them to the total of the 5 most important countries, previously examined.
The total registrations in Europe grew by 29% in 2011 and decreased by 8.7% in 2012, recovered last year only for the anticipations in purchases in the last quarter, but are down again this year of about or 5%. We anticipate a new revival of sales alongside the more sustained economic recovery.

Table 12 - EU+Efta Trucks Markets > 3,5t

Elaborations Centro Studi Subalpino

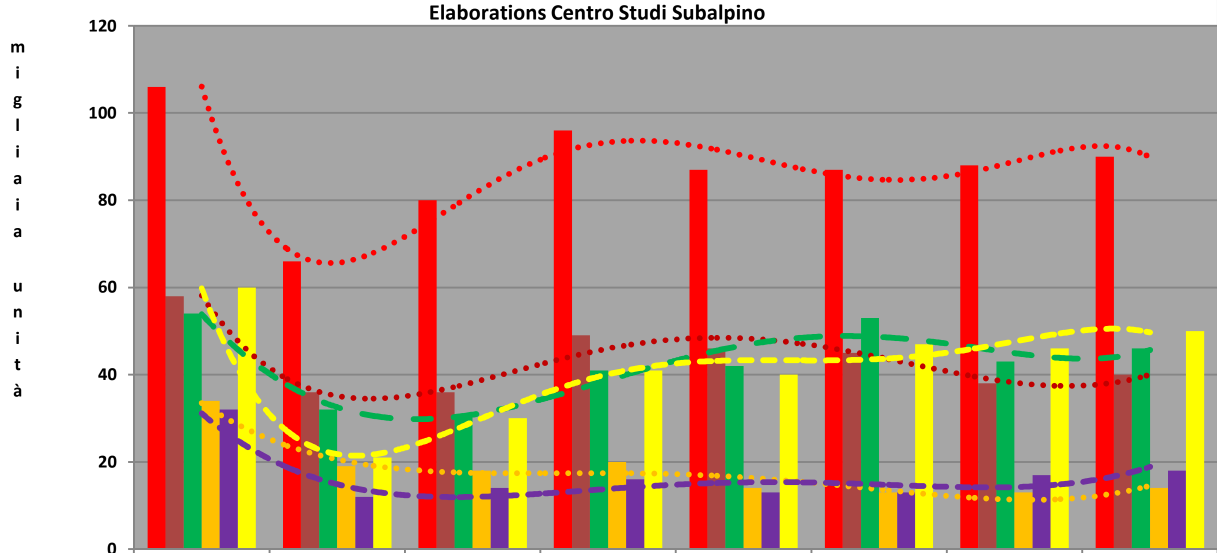


	2008	2009	2010	2011	2012	2013	2014*	2015**
EU 15	357	210	218	271	245	257	241	253
EU 13	60	21	30	41	40	47	46	50
Efta	12	9	8	10	10	9	10	11
Total	429	240	256	322	295	313	297	314

*** Outlook, ** Forecast**

Tabble 13 - EU Trucks Markets >3,5t - Major Areas

Elaborations Centro Studi Subalpino

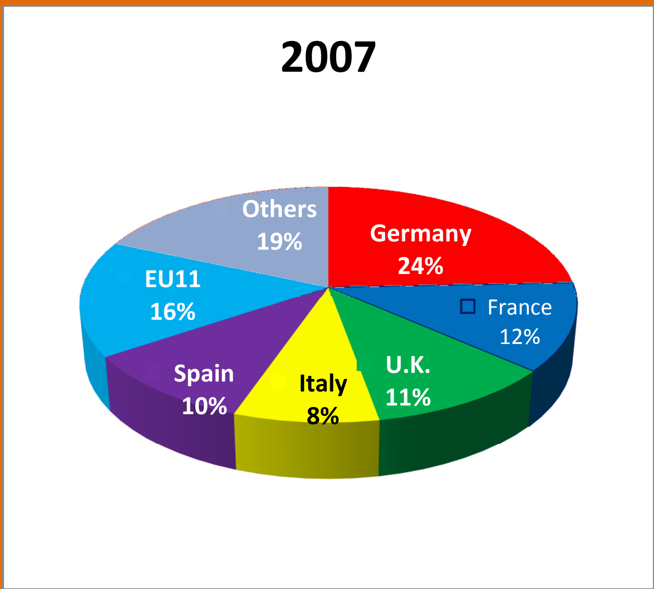


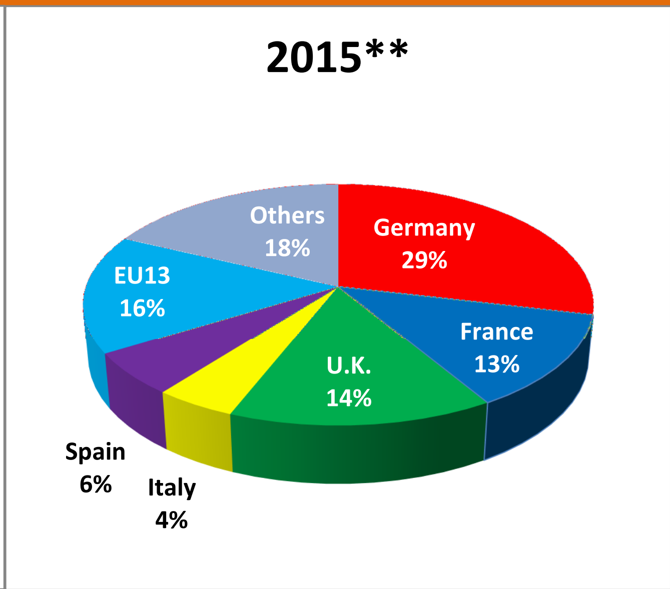
	2008	2009	2010	2011	2012	2013	2014*	
Germany	106	66	80	96	87	87	88	90
France	58	36	36	49	46	45	38	40
U.K.	54	32	31	41	42	53	43	46
Italy	34	19	18	20	14	13	13	14
Spain	32	12	14	16	13	13	17	18
EU13	60	21	30	41	40	47	46	50

*** Outlook, ** Forecast**

European Trucks Markets > 3,5 t – Major areas % shares.

It is interesting to underline the effects that the global crisis and subsequent recession had on the relative importance of the various European markets: the economically weaker countries like Italy and Spain have seen their share of the total European market halving (passed by the two markets together from 18% seven years ago to 10% forecast for next year to the benefit of Germany, but also Great Britain and France marginally. The three markets together now account for 56% of total registrations, against 47% 7 years ago.
The new members of the EU, which had dropped dramatically in 2009, with the global crisis, are recovering positions and will return probably next year already on relative share similar or slightly higher than in 2007.
The same applies to the rest of Europe (EFTA countries and Central / Northern Europe), that will return to the traditional position of around 18%, already in 2015.
According to the majority of analysts Italy and especially Spain will resume a positive and more consistent trend only from 2015, when their economic situations will improve, with positive values in the growth of GDP and consumption, but it will be difficult for them to move closer to the pre-crisis values, both for production and sales volumes.





**** Forecast**

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