WAS THERE ANY CRISIS?

MANUFACTURING AND IMPORT OF CONSTRUCTION AND ROAD-BUILDING MACHINERY IN 2011

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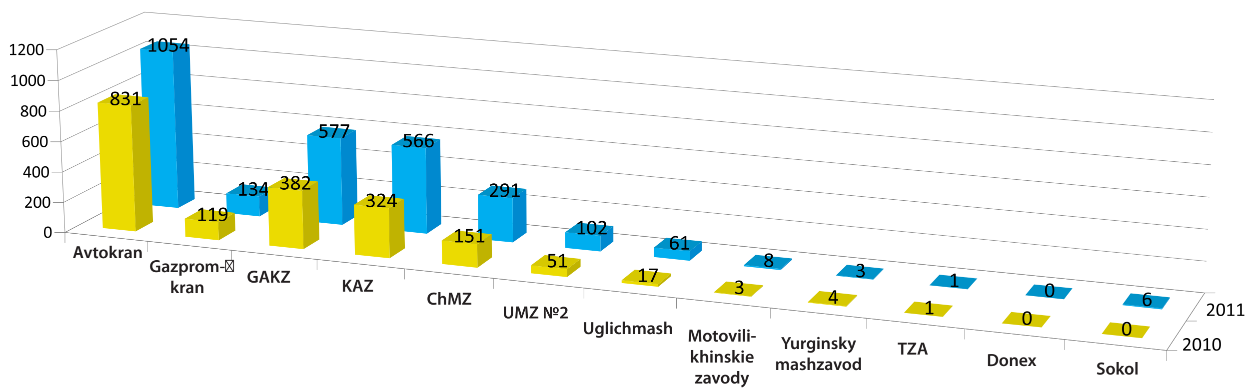
The financial crisis, which already three years has been keeping global and domestic economy in suspense, is reflected in condition of Russian market of construction and road-building machinery (CRBM) like in the mirror. Getting through the most losing year of 2009 local and foreign market participants began to recover from the collapse in 2010 step by step. According to statistical data of production and import of construction and road-building machinery many players were able to get to their feet rather quickly for the first 9 months of the current year. But frankly speaking, this mainly refers to foreign companies that significantly overcame last year indices of machinery supply in Russia and some of them succeeded in reaching record indices of 2007-2008 and even exceeding them. Unfortunately, we have to admit the fact that domestic manufacturers «wakeup» very slowly. In some main groups of construction and road-building machinery there is a moderate growth of production increase in comparison with the last year level – from 10 to 50%, as for separate companies and machinery categories there is a considerable production volume decrease.

Domestic machinery

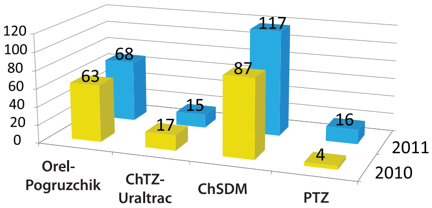
The only segment that most dynamically recovers from the crisis consequences among the other CRBM categories covered by this article is the segment of mobile cranes. Their production for the 9 months of 2011 increased by 48% and amounted 2803 units if compared to the similar period of 2010. «Avtokran» and «Gazprom-Kran» plants managed by «Ivanovskaya marka» Company produced 1054 and 134 cranes correspondingly increasing the production for the accounting period by 26% and 12%. Compensation for a very moderate current growth at these companies apparently became a last year's triple jump in production. Galich and Klintsy mobile crane plants controlled by «Kudesnik» Company produced 577 and 566 mobile cranes correspondingly for the period of 9 months: GAKZ production increased by 51%, KAZ – by 74%. Thus, by October of the current year market positions (in domestic mobile cranes category) of Ivanovskaya marka and Kudesnik became nearly equal: 42% and 41% correspondingly. Positive results were also recorded at other three significant players of Russian mobile crane industry – Chelyabinsk mechanical plant, Ulyanovsk mechanical plant No.2 and «Uglichmash» plant. At ChMZ the production increased by 92% amounting 291 cranes, it is 37 cranes more than in 2008. UMZ No. 2 produced two times more mobile cranes (102 pcs). Uglichmash produces 3.5 times more cranes (61 pcs). Two companies – Yurginsky machine engineering plant (Yurginsky mashzavod) and Motovilikhinskiye zavody – had significant market shares before crisis and could not overcome the collapse consequences: for the last 9 months these companies have produced single mobile cranes. A small plant of mobile crane industry – «Sokol» produced 6 cranes for the studied period. Mobile crane production preparation began before crisis at TZA and «Donex» plant. Unfortunately, we can not speak about any significant production volumes in this case.

This year the segment of full-revolving excavators developed neither well nor badly. In general five Russian companies produced 528 shovels for the I-III quarters increasing the production by 13%. Tver Excavator Plant of GAZ group produced 382 excavators – it is by 17% more than last year's index. Unfortunately, this plant - the only large Russian manufacturer of full-revolving

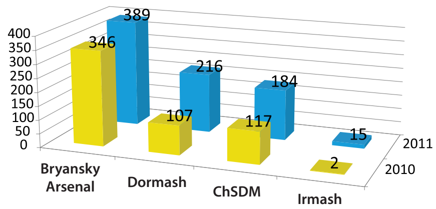
Production of cranes for 9 months of 2010 and 2011.



Production of wheel loaders for 9 months of 2010 and 2011.



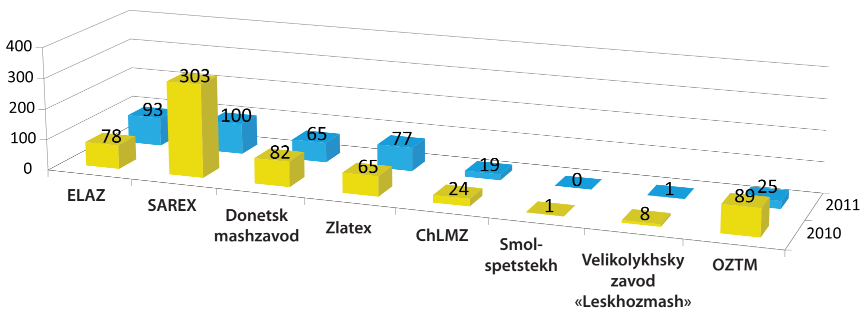
Production of graders for 9 months of 2010 and 2011.



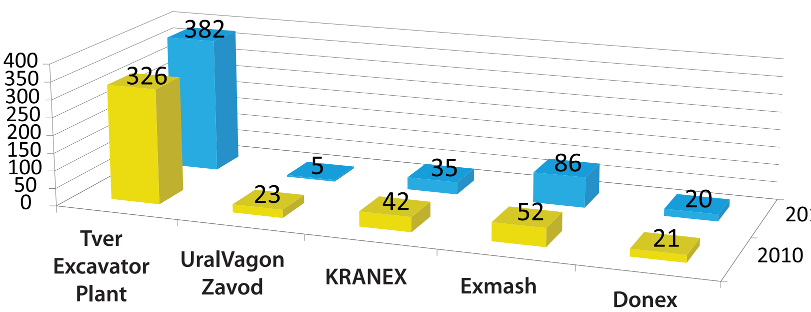
excavators – is very far from indices before the crisis (it produced 1917 excavators for the first 3 quarters of 2008). If we take into consideration the fact that the production of crawler excavators «Kovrovets» plant of GAZ group moved to Tver Excavator Plant the situation is really aggravating. The companies that composed the skeleton of domestic excavator-building (together with Tver Excavator Plant) – UralVagonZavod and KRANEX – have decreased their production volumes this year. UralVagonZavod assembled only 5 excavators – five times less than for 9 months in 2010. KRANEX produced 35 excavators – 17% less than previous year. For reference we would like to remind of the fact that UralVagonZavod assembled 167 machines for the first 9 months of 2008, KRANEX – 252. There is an evident yielding of positions of domestic excavator building. Yielding without fighting. And 10 years ago the main part of the market belonged to Russian excavator manufacturers. Now we have poor 10%. Not considering the segment of secondhand imported excavators. A small start-up Exmash company that has produced 86 excavators for the first 3 quarters of this year, 1.5 times more than in 2008, makes this cheerless trend a bit more positive. «Donex» plant the only plant in Russia that is still producing off-market cable excavators with mechanical drive has low production for the last 3 years – about 20 machines.

Speaking about the status of domestic backhoe loaders production (including excavator-bulldozers) this segment is now controlled by foreign manufacturers. The situation is similar to the segment of full-revolving excavators: according to results of 9 months of 2011 our manufacturers have less than 10% of the market. Unfortunately, at the present moment none of the domestic manufacturers can perform the production of backhoe loaders at original chassis. Lack of possibilities (or desire) to produce modern machines meeting the requirements of time in the end resulted in the following: fewer consumers choose off-market (even chip) machines based on the chassis of agricultural tractors born in the fifties of the last century preferring import machines. The result of the I-III quarters of 2011 was the release of 386 backhoe loaders/excavator-bulldozers by eight domestic companies (excluding «ChZKM» and «LEX») that is twice less than for the same period in 2010. Note that in 2008 these companies produced 1257 machines. «SAREX» plant is the leader among domestic companies producing analogue machines – it produced 100 machines. But it is three times less than the previous year. The other manufactures that had significant volumes before the crisis are hardly doing better now. Donetsk mashzavod decreased production by 20% (produced 65 machines). Zlatex plant's production fell by 15% (produced 65 machines). OmskTransMash (OZTM) decreased production by 3.5 times (produced 25 machines). The only company

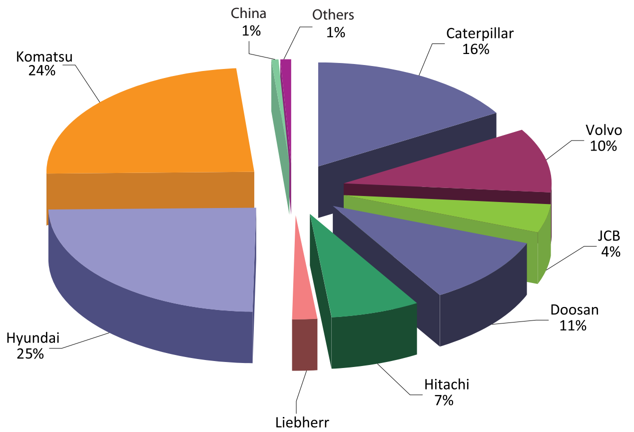
Production of backhoe loaders and excavator-bulldozers for 9 months of 2010 and 2011.



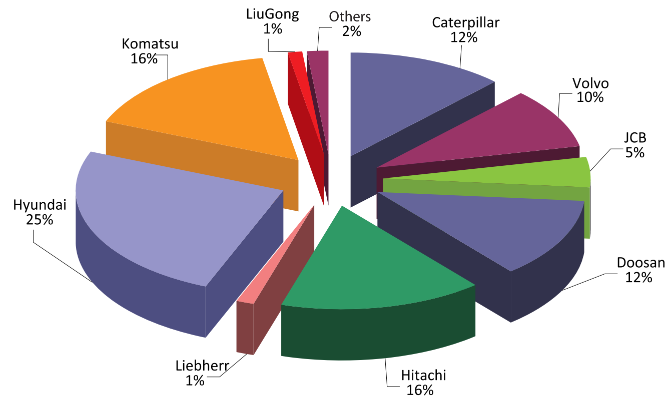
Production of excavators for 9 months of 2010 and 2011.



Import of crawler excavators (9 months of 2010)*

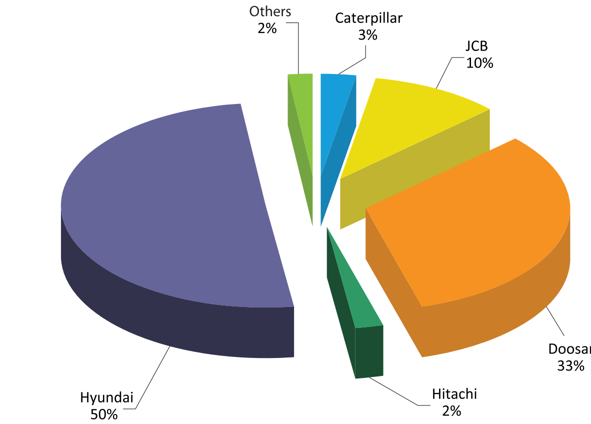


Import of crawler excavators (9 months of 2011)*

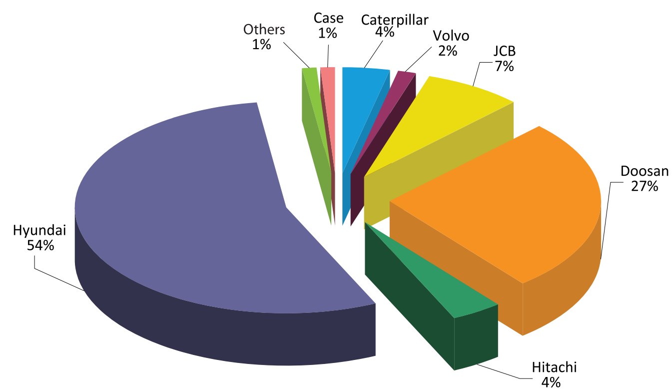


* With production of Komatsu plant in Yaroslavl and Caterpillar plant in Tosno

Import of wheel excavators (9 months of 2010)



Import of wheel excavators (9 months of 2011)



that has positive dynamic is ELAZ. Here the production increased by 20% and amounted 93 machines. Production volumes of the other companies in this segment amounted insignificant value.

The production of wheel loaders for the accounting period of 2011 amounted 216 pcs, increasing by 26% in comparison with the last year indices. The most apparent increase was viewed at ChSDM of GAZ group – 34% (produced 117 pcs). The crisis is running over time at «Orel Pogruzchik» plant: 68 machines assembled – 5 units more than last year. ChTZ-URALTRAC plant totally produced 15 loaders – less than the last year period, when it produced 17 machines. The beginning of production of wheel loaders on original (not tractor) chassis at St. Petersburg Tractor Plant (PTZ) coincided with the crisis beginning. The company happened to assembly only 4 machines for the I-III quarters of 2010, in 2011 – 16 machines. We hope the plant will be able to extend its production of modern loaders that will be able to compete with domestic as well as foreign machines. In order to achieve 2008 level the domestic manufacturers of wheel loaders will have to increase the production by 2.5 times. If current rates are maintained, it will take not one year to reach this index.

Recovering of domestic grader segment is faster. 804 machines were produced for the 9 months of 2011 – 40% more than last year. Actually not much is left till 1311 machines before the crisis. The most significant increase was at «Irmash» plant – 15 machines produced, 7.5 times more than the indices of the first three quarters of 2011. Frankly speaking, grader production of this company was never a main one that is why even before the crisis production volumes were not large. «Dormash» plant increased the production twice – this company produced 216 graders. Bryansky Arsenal plant of GAZ group showed 12% increase: it produced 389 machines for 9 months of 2011 (the highest index in domestic industry). The second company of the Group specializing in graders is «ChSDM» plant. Increment of the last year indices amounted 57% (184 pcs).

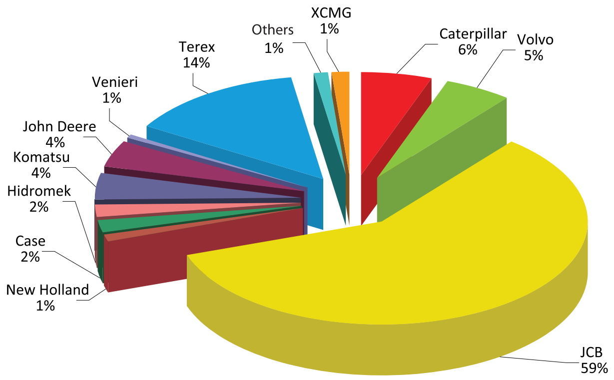
Import machinery

Studying the data of customs statistics for the I-III quarters of 2011 we can state that foreign construction and road-building machinery industry is more alive than dead (as opposed to domestic one). And the crisis talks in construction industry turned out to be a bit exaggerated. The supplies of new import machinery grow like a weed and it means that it is again in demand. Current indices of some main types of construction and road-building machinery reached pre-crisis indices and in some cases exceeded them.

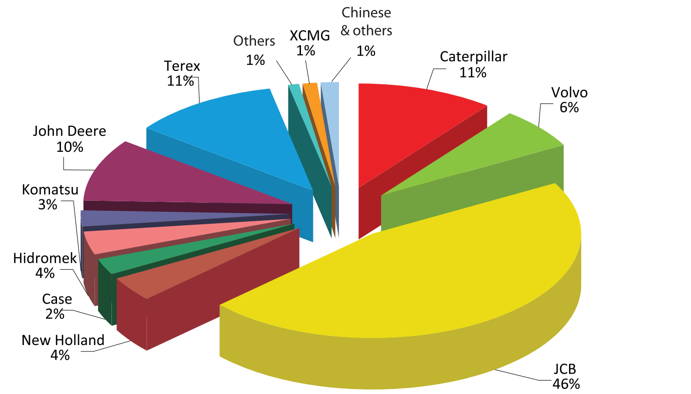
The segment of crawler full-revolving excavators* increased by 3862 machines in 2011, it is 3.5 times more than last year (in order to reach the level of 2008 30% are needed). Like in 2010 the leader is Hyundai – 968 machines are imported: 3.5 increment in relation to the results of 2010 and nearly 2 increment in comparison to 2008. Hyundai market share in the segment of new import machines amounts 25% for the last 2 years. The former excavator leader – Hitachi Company – has not returned its positions yet, but this year it has made a considerable step forward: 620 machines were imported, it is 8 times more than in similar period of 2010. Now Hitachi has 16% of the market instead of 7% last year. Komatsu Company is going to be the leader of the corresponding segment with the beginning of full-scale production of crawler excavators at the plant in Yaroslavl. In the I-III quarters of 2011 the company supplied to Russia 268 machines and produced 349 units at Yaroslavl plant: totally 2.3 times more than in 2010. Thus, Komatsu is at the same ranking line with Hitachi. Caterpillar is at the third place: 385 excavators imported

* Except models with operating weight less than 10 tons, excavator-levelers and pit electric excavators.

Import of backhoe loaders (9 months of 2010)



Import of backhoe loaders (9 months of 2011)

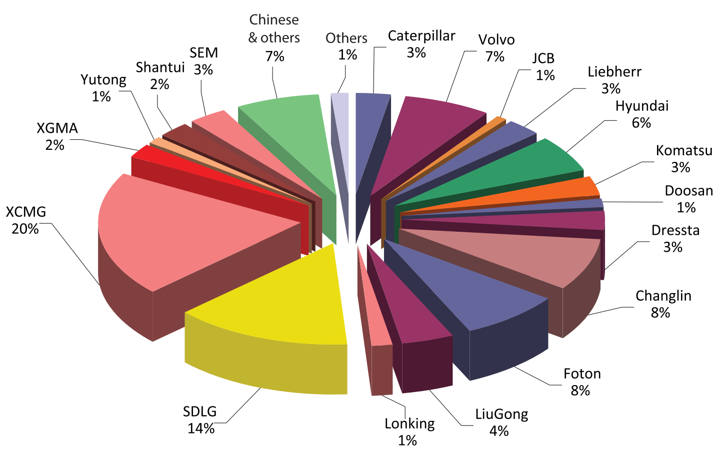


and 86 produced at the plant in Tosno (totally 2.5 times more than in 2010). Caterpillar shares the third line with Doosan: both manufacturers have 12% of the market. Doosan supplied 477 excavators, it is 4 times more than before and 2.6 times more than in 2008. Volvo company supplied 371 excavators – 3.3 times more than in the I-III quarters of the last year (for comparison: in the I-III quarters of 2008 there were 426 excavators). Volvo preserved its 10% of the market this year. Among the companies that have less market shares we would like to mark JCB, Liebherr and LiuGong that exceeded their pre-crisis indices (supplied 179, 51 and 40 machines correspondingly).

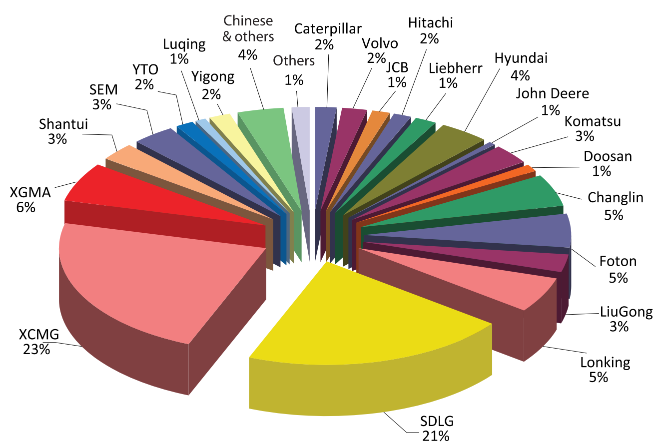
The segment of imported wheel excavators even before the crisis was not very large. The situation remains. In general the import of this type of machinery increased three times in accounting period and amounted 683 pcs. (twice less than in 2008). The leading positions belong to Hyundai and Doosan companies that supplied 373 and 182 machines for the 9 months of the current year correspondingly (that is 3.4 and 2.6 times more than in 2010). Note that Doosan wheel excavators were supplied 1.5 times more than for 9 months of 2008. In relation to the last year market shares of these companies changed insignificantly (Hyundai – 55% increase, Doosan – 27% increase). Other manufacturers also significantly increased machinery supplies, but their contribution is minor in comparison to the others.

2011 was a success for backhoe loader manufacturers, which present their products at the Russian market: their supplies increased by 3.4 times for the viewed period in relation to 2010 and by 17% in relation to 2008. Totally 4024 machines were im-

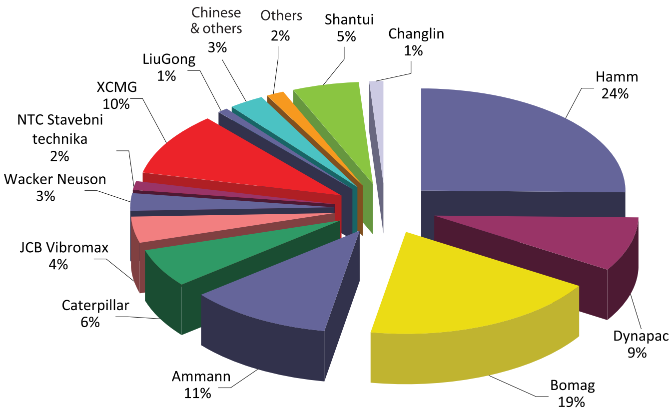
Import of wheel loaders (9 months of 2010)



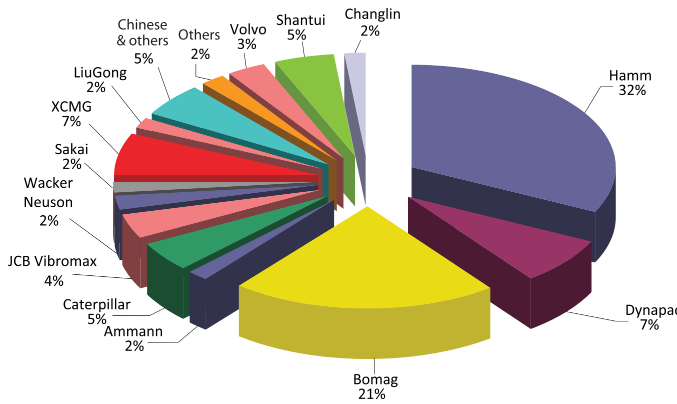
Import of wheel loaders (9 months of 2011)



Import of rollers (9 months of 2010)



Import of rollers (9 months of 2011)

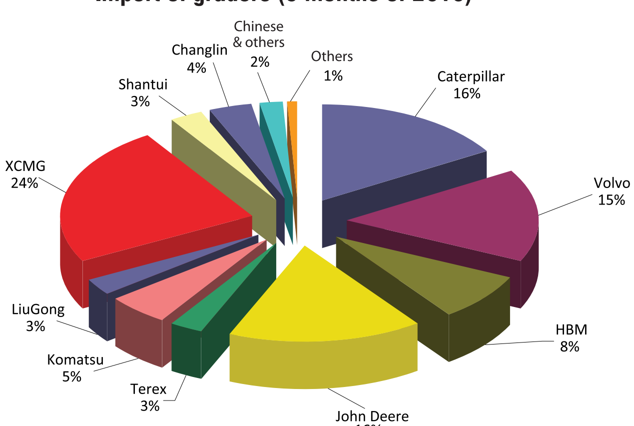


ported. The main contribution was made by JCB Company, which supplied 1852 backhoe loaders that significantly exceeded last year index as well as the level of 2008. This year became a record for this company during all its work in Russia: the volumes increased by 70% in comparison with 2008. Thus, JCB completely confirmed its leading position with 46% of market share. Many other companies have also significantly increased their supplies of backhoe loaders this year. Together with JCB a significant place in the market of these types of machines is occupied by the products of Terex, Caterpillar and John Deere companies that have imported 456, 426 and 387 machines correspondingly for the 9 months of 2011. Note that Terex current result has already exceeded the index of similar period in 2008 by 2.2 times. John Deere success is also evident. This company entered the Russian market in 2009 in the height of the crisis. Hidromek brand should not be neglected. Its import has also exceeded the result of 2008 (the company has imported 148 machines in 2011).

This year the most significant segment is wheel loaders: for the 9 months only 4222 machines were imported – nearly 4 times more than last year and by 8% more than in the most successful 2008. Thus, this year is a record. The Chinese returned to the Russian market after a short-term break. Note that «returned» is an understatement! 2011 can be called the year of Chinese loader without exaggeration. Practically all main players from China that were able to get their places in the sun (Russian sun) before the crisis significantly increased the supply volumes in comparison to the report period of 2008. It looks more impressive at the background of complete stop of loaders import from China in 2009 by the strongest players, such as XCMG, SDLG, Changlin, Foton, LiuGong, Lonking, XGMA. Thanks to unprecedented activity of the Chinese suppliers this year the share of Chinese loaders has increased from pre-crisis 65-73% to 83%. XCMG Company became the largest supplier. It imported 958 loaders, it is by 25% more than for the I-III quarters of 2008. SDLG is following «Number One» with insignificant underrun. 884 loaders of this brand were imported, it is by 40% more than in 2008. Then come: XGMA – 265 machines (90% increase), Lonking – 231 machines (30% increase), Foton – 224 machines (14% increase), Changlin – 218 (8% increase). Except the said brands that broke their own records of 2008 the increase in comparison with the pre-crisis year have Shantui, SEM, YTO, Yutong, Luqing. At the background of Chinese powerful expansion market shares of non-Chinese foreign manufacturers are more than modest, they do not exceed 1-2%. Only Hyundai and Komatsu have larger shares - 4% and 3% correspondingly (163 and 131 machines were imported).

Growth dynamics is not so impressive in road rollers segment as in the segment of wheel loaders and backhoe loaders. The segment showed double growth in relation to the last year result – 1212 machines were imported. A permanent leader is Hamm: 391 road rollers, growth amounts 2.65 times in relation to the period of 2010, market share increased from 25% to 32%. Then comes the main competitor Bomag. The company imported 255 road rollers that is 2.3 times more than last year, the market share of the company increased from 19% to 21%.The leaders are followed by Dynapac and XCMG with significant lagging behind (90 and 83 road rollers correspondingly). Both companies demonstrated volume increase in relation to 2010. Many other market participants also showed the increment

Import of graders (9 months of 2010)



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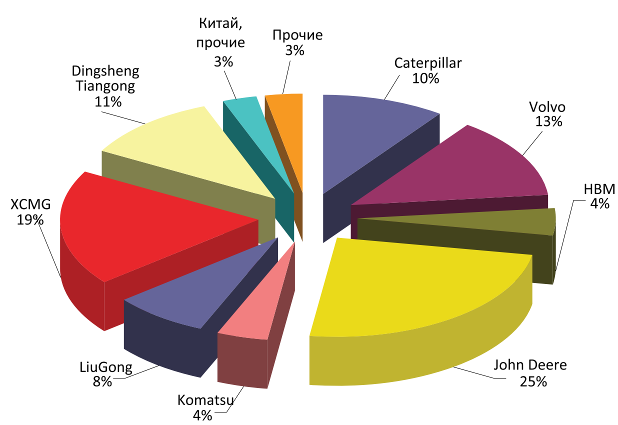
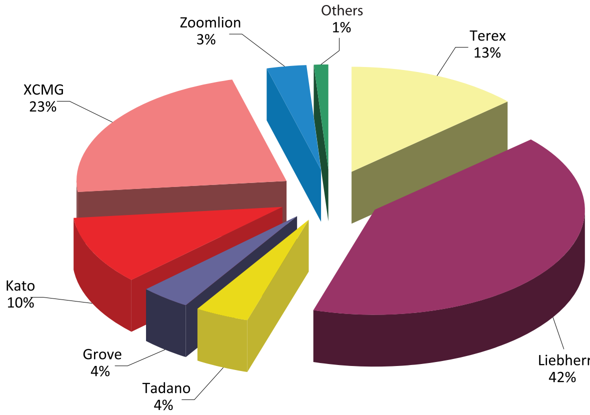
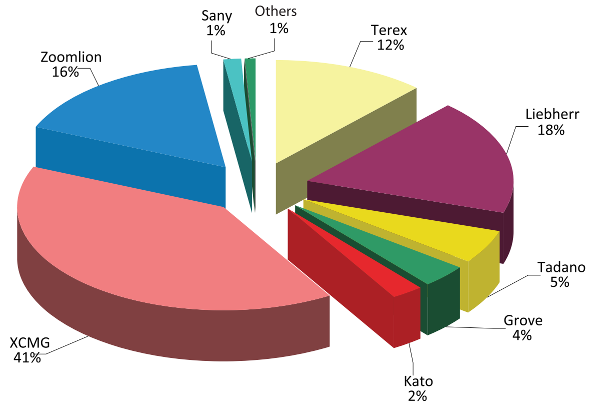


Import of wheel-mobile cranes (9 months of 2010)



Import of wheel-mobile cranes (9 months of 2011)



relative to the last year level but their supply volumes make relatively small value – 20-50 machines. Ammann became the only company that went into the red in comparison with 2010, it imported 23 road rollers – 3 times less than previous year.

For many manufacturers of graders this year became a success. The current index – 340 machines – exceeded the result of 2008 when the company imported 335 graders. At that there was a visible market repartition, XCMG Company was dominating in grader segment before the crisis, and now the leading position is occupied by John Deere. This company supplied 84 machines for the 9 months of 2011 (increment in relation to 2010 amounts 4.6 times, market share – 25%). The second place is occupied by XCMG – 64 graders, 2.5 times increase in relation to the previous year, market share – 19%. Frankly speaking, the leading Chinese manufacturer SDM is significantly lagging behind the index of 9 months of 2008 when it imported 105 machines. In general the share of the Chinese manufacturers decreased in comparison with 2008 from 58% to 42%. Among non-Chinese manufacturers the considerable market shares belong to Volvo and Caterpillar (13% and 10% correspondingly). For the first 9 months of 2011 Volvo has supplied 45 graders to Russia (13 units more than in 2008), Caterpillar imported 34 machines displaying double lagging behind the index of 2008.

The segment of mobile cranes increased by 328 machines for 9 months of 2011 that us 3.4 times more than the last year index. The Chinese that disappeared from the Russian market in 2009 again has become very active. Their share is rather large again – totally 57%. As usually XCMG cranes are in favor, 131 units were imported. The manufacturer from Xuzhou is followed by his main competitor – Zoomlion Company. 54 cranes were supplied. Among non-Chinese manufacturers the leader's flag traditionally belongs to Liebherr. The company possesses 18% of the market and it has already overcome the level of 2008 (the current supply volume amounts 59 heavy-duty cranes in comparison with 45 cranes three years earlier). Also it is worth while mentioning Terex Company, which exceeded the result of 2008 by 2.6 times (39 cranes against 15). The fact that the Ukrainian crane manufacturers that were actively working at the Russian market before the crisis, has not returned their positions yet should also be mentioned.

The segment of articulated dump trucks has demonstrated enviable dynamics this year. Many manufacturers except Komatsu and Terex have supplied more machines than in 2008: as a result of such activity the market capacity has increased by 2.3 times for the 9 months of 2011 – 265 machines against 113. Thus, the other record is again hit in the segment of articulated dump trucks. Volvo is the leader as before with 60% of market share – the company supplied 158 machines (2.3 times increase in relation to report period of 2008). A remarkable event in the industry has become the release of Liebherr and John Deere articulated dump trucks to the Russian market this year.

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The analysis of production and import statistics results speaks about the fact that 2011 became the year of active CRBM market recovery. Let me finish the article on this optimistic note. But this September proved that the crisis is not over. What is next? We'll see. CTT

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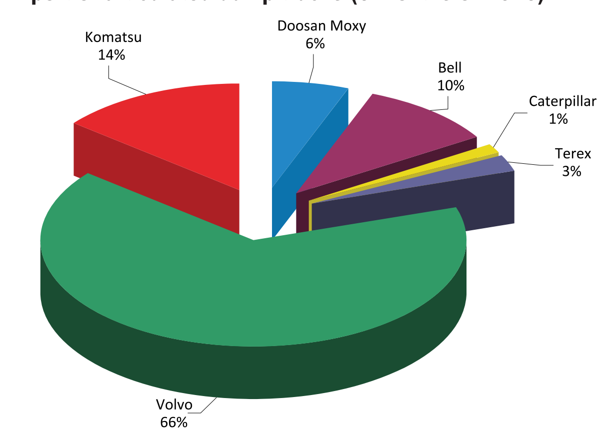
Import of articulated dump trucks (9 months of 2010)



Import of articulated dump trucks (9 months of 2011)