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# Equipment sales fall 6.5% in 2008; expected to stabilise by mid-2009

The Australian construction and mining equipment market fell by 6.5% in 2008, according to figures released by the Construction & Mining Equipment Industry Group (CMEIG) and ERG International.

This decline follows rises of 15.7% in 2007 and 8.7% in 2006.

Sales are expected to further decline during the first half of 2009, before stabilising as the world economy recovers, according to ERG.

"Market results were mixed with most construction and mining markets falling during 2008," said John Reid, CEO of CMEIG.

"However there were some exceptions to this overall decline with dozers and motor graders recording small rises."

Reid said this small decline in the overall market followed an unprecedented period of market increases over the past seven years, brought about by constant growth in both the construction and mining markets over this period.

The decline in the market mirrored similar market falls in industries such as on-highway trucks, which have declined around 5.7% over the year.

According to Reid, the major factors influencing the market in 2009 include:

- Equipment purchasers will find it harder to obtain finance for new equipment.
- Smaller contractors will be hardest hit and, consequently, sales of lower to mid-range machines are expected to fall.
- Mining equipment sales will be more solid as major mining companies still have access to finance.
- The fall in demand for the major export commodities, coal and iron ore, may have an adverse impact on demand for new mining equipment.

"In overall terms market sales are expected to decline in the first half of 2009 and then stabilise as the world economy recovers.

"In the worst-case scenario we would expect the total market to fall by around 20% to 2005 levels," he said.

Highlights of activities throughout 2008 included:



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- The largest volume of sales were recorded in Queensland which had 31% of national sales. NSW recorded 21%, followed by Victoria and Western Australia, which both had 18% of the market.
- Estimated value of the national market was A\$4.1 billion.
- Hydraulic excavator sales fell by 5.6% with the major decline occurring in the small to mid-range machines. This market continued to be the largest market in terms of unit sales and dollar value with sales volume accounting for 38% of the total market.
- Wheel loader sales declined by only 5.0%, a better-than-expected result.
- Dozer sales were much better than expected with a 1.7% increase, reversing the 9.4% fall in 2007. This result reflected the strong demand in the mining market.
- Motor grader sales also increased, albeit by only 0.6%, reflecting stronger demand in rural areas.
- Dump truck sales fell by 11.4% with a major decline in articulated dump truck sales, reflecting the decline in infrastructure projects in Australian cities. This result compares with a 29% increase in dump truck sales in 2007.
- In the smaller machine markets, sales of backhoe loaders fell by 37.7% while sales of skidsteer loaders decreased by 1.6%.
- Road roller sales declined by 8.7%.

Total sales for the construction and mining markets are forecast to fall by around 10-12% in 2009 compared with 2008, due to reduced activity in the construction market and a somewhat smaller decline in demand for mining equipment.

Copies of the ERG International Annual Report are available to selected companies.

Further information:

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