

Changing centre of gravity in the global material handling equipment market

In the aftermath of the world financial crisis, China has become the world's largest market and production base for forklifts and material handling equipment for the first time. The country now accounts for over a quarter of global forklift sales.

China - the world's largest producer of industrial trucks in 2010

Between 2001 and 2010, the Chinese material handling equipment industry grew at an average annual rate of over 30%. Nevertheless, there is still considerable mechanization potential in logistics (logistic costs account for 17.8% of GDP in China vs. 10% in highly industrialized countries).

Whereas forklift sales slumped down all over the globe in 2009, production and sales in China remained on a relatively solid level (sales in China declined only 13,75%, compared to over 40% in the global market during that period).

Fueled by an overwhelming domestic demand and the world economy returning to old strength, sales skyrocketed in 2010. Total domestic forklift sales during this period were approximately 190,000 units. The total production of industrial trucks - including conventional counterbalance forklifts, electric warehouse trucks, reach stackers, container handlers and rough terrain forklifts - was approximately 275,000 units.

Industry still very fragmented

We identified 53 relevant manufacturers of material handling equipment in China, of which 17 are foreign companies. The domestic market for counterbalance forklifts is dominated by Anhui HeLi and Hangcha, which account for nearly 40% of the domestic production (in units) and over 50% of domestic sales (low percentage of exports). The majority of the next larger companies, such as Zhejiang Noblift, EP, Ningbo Ruyi and Hangzhou Zheli are producing electric warehouse equipment, of which the major part is sold abroad. With its phenomenal growth during the past decade and a rising demand for more sophisticated warehousing equipment, the domestic market gains in importance for these manufacturers, however. In terms of revenues, there are four foreign companies among the Top 10 manufacturers in China (KION, Tailift, Beijing Hyundai, Hangcha). In total, foreign companies account for 25% of the total material handling equipment production in China.

At the low-end of the market, there is a large number of small domestic manufacturers with a small market share and high product homogeneity.

Classic IC counterbalance trucks dominate the market

About three quarters of the Chinese forklift production are IC counterbalance forklift trucks for the low to mid-end market. This is almost reciprocal to the proportion on the world market, where 60% of forklifts are electric. The share of more advanced equipment, such as electric warehouse trucks, container handling, reach stackers etc. in the domestic market is still relatively small.

Further industry consolidation, increasing percentage of electric trucks

The phenomenon of high product homogeneity and overcapacities presents serious challenges for the Chinese material handling industry. Due to fierce competition and political initiatives, the industry will further consolidate. Companies will have to come up with more advanced, value-added products (improvements with regard to safety, ergonomics, energy-efficiency) and make their businesses more international. Fostered by the Chinese government, the percentage of electric and hybrid driven equipment will rise.

Further growth potential despite already high production level

Despite its already high level, the demand for material handling equipment in China is expected to grow even further due to ongoing investments in fixed assets and the development of industrial centers in the inland. The Chinese Industrial Truck Association expects an annual growth between 5 and 10% in 2011 and 2012. Major manufacturers are still expanding their production capacities and expect to grow stronger than the market. Due to the increasing professionalization in the Chinese logistics sector, we expect the highest growth rates in electric forklifts and warehouse trucks, reach stackers/container handler, telehandlers and aerial work platforms (between 15 and 17 percent p.a.).

About STM

Stieler Technologie- & Marketing-Beratung is a boutique consulting firm specialized in B2B market research, strategic management and business development services for companies in the engineering industry. Since its founding in 1995, STM has successfully established itself as a competent management advisor in market, technology and future related questions.

The study „Mobile Working Machines in China“ is the result of a vast number of interviews with machine manufacturers and industry associations in 2010 and 2011. For

the first time, the Chinese industry for construction machines, agricultural machines and material handling equipment is described in a sound and comprehensive manner. Furthermore, there are similar studies on Brazil and India available. More information on www.stm-stieler.de