

Trailer market: seeking new horizons after setbacks

Since 2023, the European trailer market has transitioned from overheated to undercooled, with standardised trailers the most affected. However, deliveries are expected to bottom out in 2025, resulting in a stable outlook overall



The electrification of cooling systems and axles will significantly impact the market in the coming years

The European trailer market has swiftly rebounded after a period of high demand

The European trailer market rebounded quickly from the pandemic lows. Trailer manufacturers encountered component shortages (such as axles), but less severe than in truck production where electronics are more important.

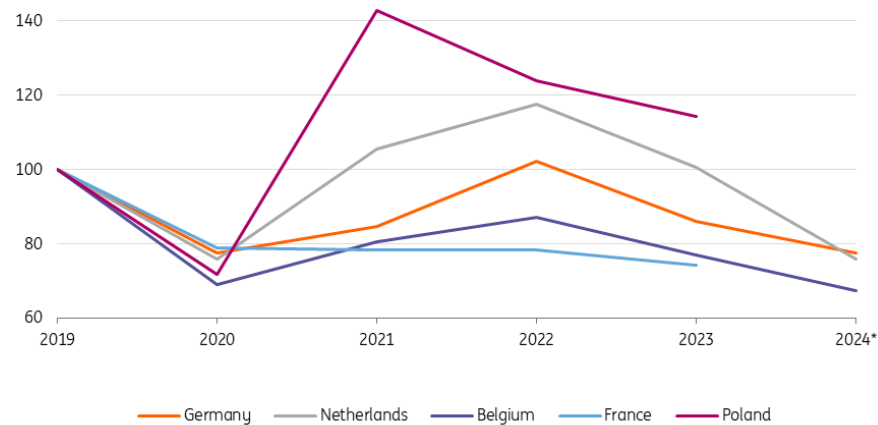
Accelerated by pent-up demand, registrations surpassed their pre-pandemic registration levels and even reached record highs in Poland and the Netherlands in 2021 and 2022. The tide turned quickly in early 2023 amid slowing transport volume and higher interest rates. Long delivery times rapidly disappeared.

In the first half of 2024, market leaders Krone and Schmitz introduced temporary reductions in working hours ('kurzarbeit'), illustrating the production setback. In 2024 we expect registrations in

some Western countries to end up below 80% of 2019 levels.

Trailer registrations dropped further from highs in 2024

Development of new semi-trailer registrations (2019 = 100)



Source: CLCCR, RAI/RDC, Febiac, VDA, SDES-RSVERO, *ING Research

Trailer fleets haven't reduced during low tide as divestments aren't worth the deal

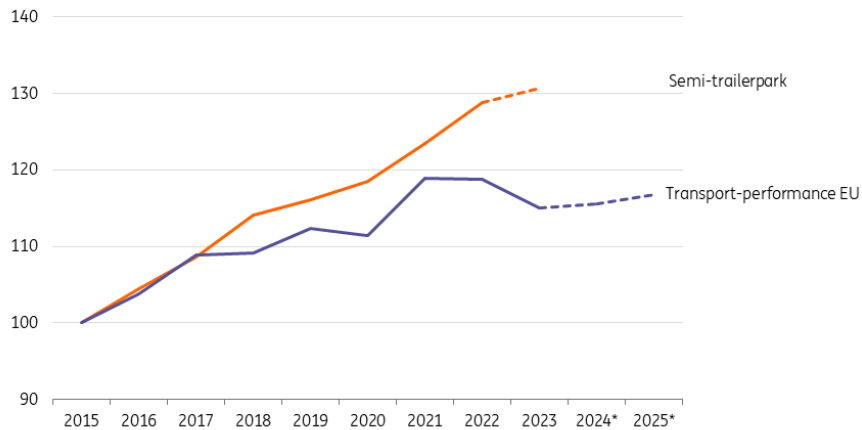
The European semi-trailer fleet has expanded steadily through the economic cycle, increasing its unit volume by 30% since 2015.

The total fleet hit an estimated volume of around three million in 2022 (in EU + EFTA + UK) and, despite the sales decline in 2023, figures from the Dutch trailer fleet still suggest the fleet has likely grown mildly (+1.5%).

This is primarily because remarketing is not profitable in the current market. As a result, trailers are often parked 'just in case.' The trailer fleets have particularly expanded in key European countries for international long-haul transport, such as Poland, Romania, and Lithuania.

Fleet expansion, trailer hoarding and demand correction created rest capacity

Development of trailerpark vs. transport performance in ton/km (EU), index (2015 = 100)



Source: Eurostat, *Forecast ING Research

Widened gap between capacity and freight, but also reasons for a larger fleet

The gap between the trailer fleet and transport demand has widened with the post-pandemic surge of deliveries and the setback of freight volumes in 2023. Owners have also been sticking to older trailers. Consequently, the average age of the fleet has increased. There are multiple reasons for this phenomenon:

- **The transport market has become more volatile and less predictable which requires higher flexibility:** 'just in case'. Keeping trailers in the fleet costs a little extra, and more trailers don't necessarily require more drivers. Consequently, the trailer-truck ratio has gone up.
- **Drawbars are increasingly being replaced by semi-trailers.** These are deemed more flexible in operations. Even in countries with a long tradition of drawbars and swap bodies, such as Germany, the semi-trailer gradually gains ground.
- **The role of trailers in logistics operations has expanded.** Trailers are more often used as means of storage (e.g. at warehousing docks). Also, trailers travelling between the UK and the European continent have longer turnaround times since Brexit.

Despite the reasons for expansion, there is overcapacity in 2024. The fact that the need for equipment was lower in the first half of 2024 was also evident from the lower occupancy rates and a larger share of short-term contracts from trailer rental companies.

A larger share of 'suspended' semi-trailers in the Netherlands (almost 5% at the start of 2024, compared to 4.4% a year earlier) is also a sign of this. The cautious improvement of transport demand requires some additional trailers in service, but the outlook does not give much reason to expand fleets.

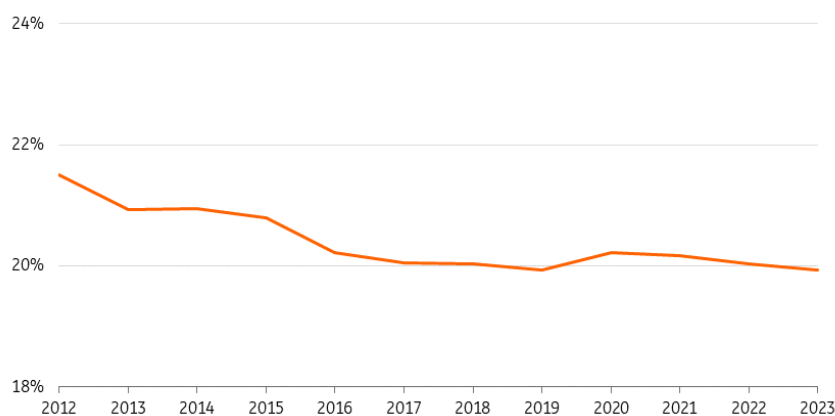
Fleet efficiency improvement weighs less on the installed base

Efficiency is another factor influencing the trailer market dynamics. While vehicle occupation rates have improved over time, further efforts to enhance efficiency and reduce empty runs have proven challenging in the current economic climate.

Despite the benefits of digitalisation and platforms, further efficiency improvement has stalled. The impact of regulations (such as driving time, rest hours and locations) in combination with a less predictable freight market and inflexible client preferences limits the upside. Intensified cooperation (data-sharing) and perhaps the use of artificial intelligence in planning still provide opportunities to lower empty running going forward.

Reduction in empty running in European road haulage stagnated

Share of empty road freight transport vehicle km's in the EU-27 per year



Source: Eurostat *ING Research

Contraction continues in 2024, more replacements could be on the cards for 2025

Traditionally, the trailer market is highly responsive to economic changes, as investments in trailers are easier to delay compared to trucks. Unlike the truck market, new trailer sales dropped from record levels in 2023. On average, new trailer registrations across European countries decreased by about 10% in 2023. By early 2024, occupancy rates for trailer rental companies were no longer near their natural maximums.

Consequently, newly ordered trailers weren't immediately called by buyers, with manufacturers Schmitz and Krone operating at low capacity levels. In line with this, we expect another contraction of some 15% in 2024.

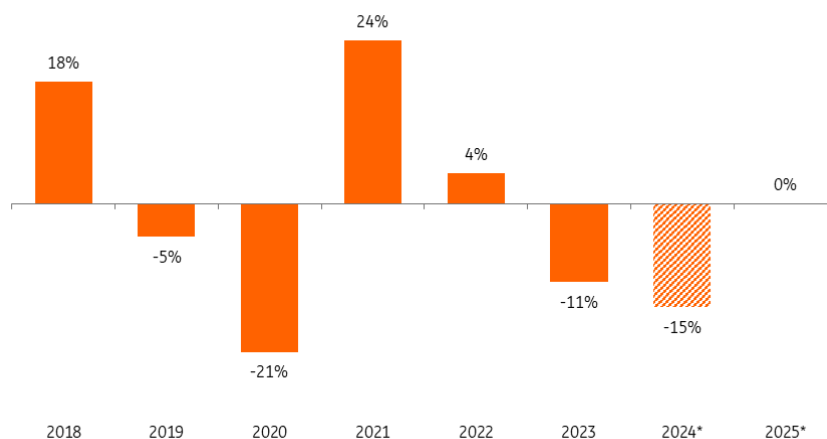
With economic growth and freight volumes slowly picking up and interest rates coming down, a turning point could be reached in 2025. Lower prices could also help replacements to catch up.

Large fleet owners such as leasing companies TIP and PNO reduced investments in their fleets, but

leasing companies are an important factor in a market recovery. The leased-out share in the trailer market has become significant over time and full-operational solutions like 'trailer as a service' have been introduced.

Setback of the European trailer market continues in 2024 – turning point expected in 2025

(European)** registrations of semi-trailers YoY



Source: RAI/RDC/RDW, Febiac, VDA, SDES-RSVERO, *ING Research, **Includes The Netherlands, Belgium, France, Germany, Poland

Moderation of increased prices due to returned competitive pressure

After a phase of inflation and an even stronger increase in trailer prices, a buyer's market has fully returned, driving down prices. Prices of new trailers rose by at least 25% by 2022 against the backdrop of the inflation shock, but in 2024 prices were down significantly again, as price tags of new curtain siders point out.

Lower raw material prices are also a reason behind this. This is gradually fed through in the supply chain, due to forward agreements. At the same time, higher wage costs push up production costs. Nevertheless, price pressure is back for manufacturers, especially in larger deals. This also put an end to the recent popularity of refurbishments among fleet owners.

Market for standard trailers most sensitive to the economic cycle

The market decline has hit 'standard' curtain sider trailers the hardest. These are often ordered in larger quantities and usually have a shorter delivery time than specialist trailers, such as bulk trailers or heavy-duty trailers that are often made by smaller specialised manufacturers.

Orders for new curtain sider trailers – e.g. used for industrial products – are also more cyclical than refrigerated trailers that are often used for the transport of foodstuffs. Within the more specialised segment, the container chassis is one of the most market-sensitive models due to its

dependence on global container handling.

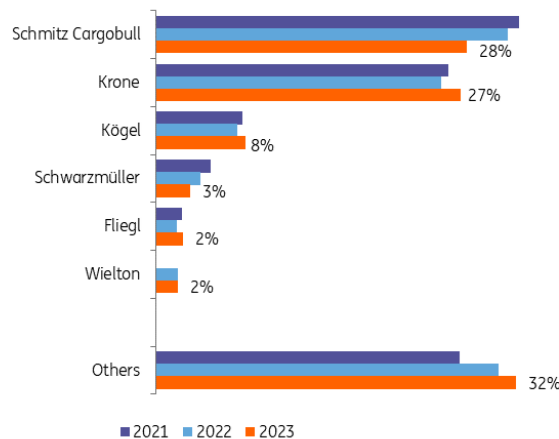
Second-hand trade doesn't help in the current trailer market

Overcapacity is also putting pressure on the second-hand trailer market and the 'remarketing' prices of used equipment. The disappearance of the Russian market as an important sales channel for young, used trailers is also still being felt. As a result, prices are still under heavy pressure and trailers remain in circulation on the European market for longer before they end up outside Europe.

Remarketing does not always pay off sufficiently for carriers. With the meagre growth forecasts, there is no prospect of an improving second-hand market yet.

Schmitz and Krone closer in 2023, specialists manufacturers gain ground

Market shares in new semi-trailer registrations in Germany per year



Source: RAI, ING Research

Market share of curtain side trailers has rebounded following price hikes for box trailers

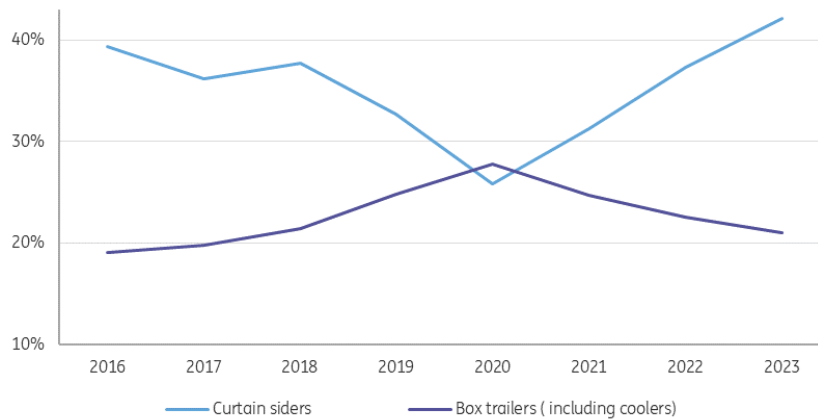
Recently, there has been a shift in trailer registrations from traditional curtain sides to box trailers due to security concerns. The rise of e-commerce has also had an impact here as this requires higher protection against cargo theft.

The 'cold chain' is also growing faster than the average, creating demand for cooler box trailers. In 2020, the share of fixed box trailers even surpassed that of traditional curtain sides. However, this trend has not been sustainable over the past two years, with curtain sider sales rebounding and their market share reaching 40% again.

Large (rental) fleet orders have driven curtain sider deliveries, but recent significant price increases for heavy box trailers have reversed this trend. Nonetheless, we still anticipate the box trailer share of the fleet to remain larger than before.

Popularity curtain sider returns with higher prices for box trailers

Share of main semi trailer configurations in total new registrations in Europe's largest market Germany



Source: RAI, KBA, ING Research

Peak popularity of 'refurbishment' is over

With the decline of the trailer market and lower steel prices, the popularity of 'refurbishment' has decreased. While new trailers have become cheaper again, maintenance costs have also increased due to higher wages and staff shortages. In combination with innovations such as the regeneration axle, this makes new trailers more interesting again.

Emission reduction requirement is a major challenge for trailer manufacturers

Emissions are a top priority for trailer manufacturers. With the adoption of the 2030 emission reduction target for truck manufacturers, the European Union has set a reduction target of 10% for new trailers and 7.5% for existing trailers compared to 2025 levels. This target is based on the VECTO value, which measures the trailer's contribution to CO₂ emissions per kilometre using a set of indicators.

The delivery of a VECTO report has also become mandatory for new trailers as of 1 July 2024. Trailer manufacturers argue that it would be highly challenging to get any further than 7.5% based on weight reduction or other materials. And fuel-saving aerodynamic features are not popular due to their susceptibility to damage. However, there are encouraging developments in the field of electrification of the shaft and cooling, but this is not yet included in the reduction equation. If that does happen, the target will be easier to achieve.

Electrification brings promising innovations that can stimulate investments in trailers

The trailer market is less known for innovations than the truck industry, but the developments in

electrification are promising and can add value. In doing so, they can also stimulate fleet renewal and attract new investments.

The regeneration axle – which recovers braking energy – has matured and homologation is taking place in several European countries. Scaling this up is nevertheless promising. This, in combination with a diesel tractor, is expected to save around 15% on fuel and can be an additional reason for replacement.

The vast majority of cooling systems on trailers are still equipped with diesel engines, but that is starting to change as well. For the power supply of electrical installations, it is ideal if there is a direct energy source (such as the regeneration axle in combination with rooftop solar panels).

E-trailer offers considerable savings, but there are disadvantages

A step further with the electrification of the axle is the push-up axle or e-axle that functions autonomously based on its own battery pack. The e-axle has been approved by the European Commission but is still in the process of certification.

The e-axle shows great promise, potentially reducing fuel consumption by 30% when paired with an e-truck (according to Krone test results) and extending the electric truck's range by an additional 200-300 km. However, there are still some doubts about its optimal deployment in practice.

For instance, trailers are frequently swapped and transported by boat, making fixed tractor-trailer combinations uncommon, often with different owners. Additionally, the need for independent charging is seen as a burden. However, a significant advantage is that e-trailers can also be used with diesel trucks, eliminating the need to wait for further fleet electrification.

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