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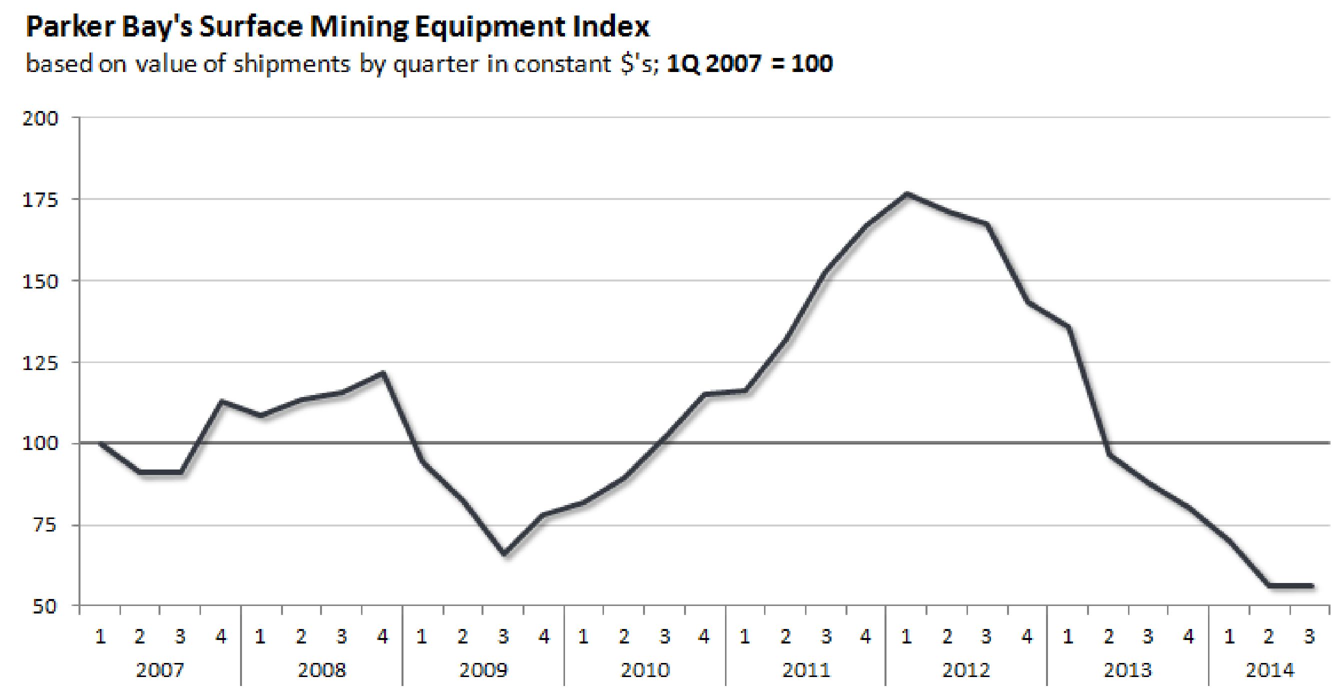
For Mining Equipment Markets Worldwide: The Worst May Be Over.

After two and a half years in decline, the mining equipment market turned up slightly in the third quarter. Unit deliveries were more than 12% higher than 2Q though the increase on a value-weighted basis was less than half a percent. As can be surmised, shipments of the very largest machines continued downward for the most part with growth coming from the smaller products and size classes. Larger equipment classes typically lag some months behind in the cycle so increasing value as well as unit volume could characterize coming quarterly deliveries.

Deliveries to copper mines were down nearly 50% from 2Q to 3Q after faring best among mineral classes during the downturn through June. While coal and gold mines, where equipment deliveries fell more than 80% in the past two and a half years, both appear to have bottomed out or even turned up slightly. Replacement demand is likely a major factor in recent quarters with no new operations taking equipment in 3Q. While the need to replace the growing number of older units could boost deliveries further, stronger mineral market conditions will be needed to drive a healthy recovery.



The data underlying this index come directly from manufacturers worldwide and are recorded in Parker Bay's Mobile Mining Equipment Database (*details on this commercial service are available by contacting Parker Bay)*. Since each mine and machine underlying this measure of market activity is identified in this Database, a wide array of statistical analyses can be undertaken.

Shipments by Product Line: As recently as the first calendar quarter of 2012, more than 2,000 of these large machines were delivered to large surface mines worldwide, and these machines had an estimated annualized value (fob manufacturer) of nearly USD15 billion. Since then, the number and value of shipments have declined by two-thirds with the 2014 total likely to come in at USD5 billion-plus. But as indicated in the following table, the decline halted (at least temporarily) in the third quarter of 2014. Units delivered increased by a substantial 12%+, but the value of the deliveries was, by Parker Bay's estimates, only marginally higher. The explanation for this difference lies in the products that were shipped during July-September: A significant number of crawler and wheel dozers which, although individually valued at USD1 million or more, carry far lower price tags than the largest shovels/excavators and mining trucks. Deliveries of these largest machines continued to decline during the third quarter. And until orders and deliveries of the biggest machines follow the lead of smaller equipment, calling an end to the current market malaise is premature. But the latest calendar quarter could be the first indication that the worst is over.

Units Shipped

		<---------- 2014 ---------->			% Δ	
Product Line	1Q2012	1Q	2Q	3Q	2Q/3Q	3Q/1Q12
Crawler & Wheel Dozers	391	106	110	194	76.4%	-50%
Electric/Rope Shovels	14	7	8	3	-62.5%	-79%
Hydraulic Shovels/Exc.	163	55	31	39	25.8%	-76%
Mining Trucks	1,386	519	411	398	-3.2%	-71%
Wheel Loaders	86	48	41	44	7.3%	-49%
TOTAL	2,040	735	601	678	**12.8%**	-67%

Value of Shipments (MM USD)

		<---------- 2014 ---------->			% Δ	
Product Line	1Q2012	1Q	2Q	3Q	2Q/3Q	3Q/1Q12
Crawler & Wheel Dozers	400	114	117	198	68.8%	-50%
Electric/Rope Shovels	177	105	108	45	-58.3%	-75%
Hydraulic Shovels/Exc.	682	262	138	184	33.7%	-73%
Mining Trucks	2,392	943	785	709	-9.7%	-70%
Wheel Loaders	178	88	67	84	24.4%	-53%
TOTAL	3,851	1,522	1,228	1,231	**0.3%**	-68%

Shifting Geographic and Mineral Market Segments : Although shipments of these largest machines are down sharply across virtually all market segments when compared to peak levels of two years ago, the contraction has not been equal across the various market segments. Geographically, Australasia (esp. Australia and Indonesia) led all geographic sectors during the 2010-2012 expansion and accounted for more than a third of the global market. So it is perhaps not surprising that this region has also suffered the greatest losses with a decline of more than 14 percentage points during 2014. In contrast, Latin America and Africa have held up the best and thus increased in relative share since 2012.

Coal markets, both utility and metallurgical, have been particularly hard-hit by current market conditions with their combined share of equipment deliveries declining by 18 percentage points. Following on sharp declines in gold prices, miners of the precious metal have sharply reduced their equipment purchases. In contrast, while miners of copper, iron, oil sands and other minerals have all reduced purchases of these machines, their requirements have increased relative to coal and gold.

The extent to which these patterns continue or are reversed as the market recovers is an open issue. Some shifts can be observed in the recent quarterly data. But too much significance might be attached to just a quarter's shipment data. As more data are recorded, a better picture of the strength and dimensions of the next up-cycle will emerge.

Shifting Geographic & Mineral Markets

	2010-12	2014 ytd
Africa	10%	16%
Asia	9%	8%
Australasia	34%	22%
Europe, Middle East	2%	3%
Latin America	18%	25%
North America	14%	13%
Russia, CIS	13%	14%
Coal	48%	30%
Copper	16%	30%
Gold	11%	5%
Iron	16%	19%
Oil Sands	2%	4%
Others	7%	13%

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