

Heavy And Power Equipment

COMPANIES: CAT, HIT, VOLVB SS, 000425 CH, 000680 CH, 6301 JP, 6501 JP, 009540 KS, 600031 CH

Edging Closer to Tipping Point

Some of the emerging markets that have offset North American and Western European declines showed signs of weakness during 3Q08, but infrastructure and mining demand remained strong.

- Russian growth moderated during 3Q08 but is expected to reaccelerate in 2009
- Indian sales, orders improved yy, but credit problems spread beyond the residential sector, causing higher inventories and moderating full-year estimates
- Latin American demand improved significantly; dealers boosted full-year sales expectations

EXECUTIVE SUMMARY

Global sales and orders of new **Caterpillar Inc.** heavy and power equipment remained at levels similar to OTR Global's June report, but activity moderated in the EMEA and Asia/Pacific regions. Russian dealers reported slowing growth during the quarter, though most expect demand to pick up after the end of the year. But Western European demand continued to decline with no sign of a near-term demand catalyst. Indian dealers said credit issues spread beyond the residential sector and tempered full year estimates, but near-term demand remained solid. North American dealers reported a similar demand environment compared with OTR Global's June findings, and most do not expect demand to rebound before 2010. Dealers in Latin America and Southeast Asia expect demand strength to continue.

KEY DATA

Full-Year Outlook Moderates in EMEA, Asia/Pacific

(number of sources)

	N. AMERICA	EMEA	L. AMERICA	ASIA/PACIFIC	TOTAL
Up 51% or more	-	1*	-	1*	2
Up 41%–50%	-	1	1	-	2
Up 26%–30%	-	2	1	-	3
Up 21%–25%	1	-	1	2	4
Up 16%–20%	-	1	1	1	3
Up 11%–15%	1	3	-	2	6
Up 6%–10%	1	-	-	1	2
Up 1%–5%	3	3	-	2	8
Flat	2	-	1	2	5
Down 1%–5%	3	-	-	-	3
Down 6%–10%	2	5	-	2	9
Down 11%–15%	1	2	-	2	5
Down 16%–20%	3	1	-	-	4
Down 21%–25%	2	-	-	1	3
Down 26%–30%	1	-	-	1	2
Down 31%–40%	-	-	-	1	1
Weighted average	Down 5%–10%	Up 8%–13%	Up 20%–25%	Up 2%–7%	Up 1%–6%
June average	Down 7%–12%	Up 10%–15%†	Up 13%–18%	Up 7%–12%	Flat–up 5%

† June EMEA average includes data from Middle Eastern dealers who could not be reached for this report.

SOURCES & BACKGROUND

69 Caterpillar heavy equipment dealers

representing more than \$9.3 billion in new equipment sales annually

NORTH AMERICA 24 heavy equipment dealers (23 in the United States and 1 in Canada) representing more than \$3.6 billion in 2007 new equipment sales; **EMEA** 19 heavy equipment dealers (6 in Germany, 5 in France, 6 in Russia/CIS and 2 in Africa) representing more than \$1.5 billion in 2007 new equipment sales; **LATIN AMERICA** 5 heavy equipment dealers (4 in Brazil and 1 in Argentina) representing more than \$1.6 billion in 2007 new equipment sales; **ASIA/PACIFIC** 21 heavy equipment dealers (5 in China, 7 in India, 7 in Japan and 2 in Southeast Asia) representing more than \$2.6 billion in 2007 new equipment sales

REPEAT SOURCES 51 dealers (13 in North America, 16 in EMEA, 5 in Latin America and 17 in Asia/Pacific) from OTR Global's June report

INTERVIEWS Early to mid-September

AVERAGES American and EMEA regional averages weighted according to each source's 2007 equipment sales; Asia/Pacific averages weighted according to each country's estimated percentage of Caterpillar's Asian 2007 sales; global averages weighted according to each region's percentage of Caterpillar's 2007 sales

“The macroeconomic situation being what it is and with the downtrend in infrastructure and the growth in mining yet to come, we will not reach our projected growth of 40%. It will be more in the region of about 20%.”

Executive of a large Indian Caterpillar dealership

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EMEA

Russian growth moderates, at least for now

EMEA dealers said new equipment sales increased an average 3%–8% during 3Q08 yy, a moderation from OTR Global's 2Q08 findings and driven by worsening conditions in Western Europe and slowing growth in Russia/CIS. Orders during the quarter increased just 5%–10% yy. One-half of all Russian sources said market conditions worsened because of a slowdown in the construction sector. "We continued to order in advance because we had strong shortages last year, but we clearly see a decrease of construction activity," one said. Another said, "Our sales were up 50% this quarter, but it was below our expectations. Large state projects scheduled this summer have been delayed because contractors did not receive any money yet." Although construction activity slowed during 3Q08, sources said demand from the mining sector remained strong.

Seven of 11 German and French dealers said conditions continued to worsen during 3Q08, citing weakening economies and declining investment activity. "There are fewer public works launched, private housing is down and optimism is low," a German dealer said. A French dealer said, "Our clients have more difficulties obtaining loans from banks. Our activity is directly impacted by the credit crunch now reaching France."

African sources reported strong conditions during 3Q08 despite seasonal declines. One said, "The market remains very healthy with strong demand from infrastructure projects, highway construction, airport construction and mining." (Middle Eastern sources could not be reached for this report.)

Inventories jump higher

New equipment inventories increased an average 11%–16% during 3Q08 yy, a significant increase from OTR Global's 2Q08 findings. Western European dealers said declining demand drove unintentional inventory growth, but Russian and African dealers said inventories increased by design. Sources also said shortening lead times for some equipment lines contributed to rising inventories. "For medium-size equipment [lead times are] on average one month less," a German dealer said. An African dealer said, "The reduction of lead times for excavators was quite spectacular." However, French, Russian and African sources said lead times remained long for large equipment. "[Lead times] remain too long for equipment above 10 metric tons," a French source said.

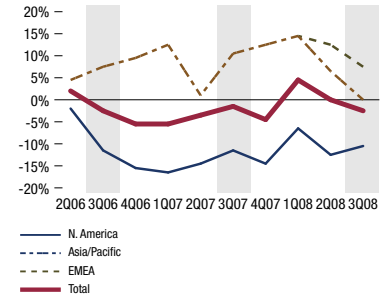
2009 expected to be a challenge

EMEA dealers expect new 2008 equipment sales to increase an average 8%–13% yy, a slight decline from OTR Global's June findings. Sources expect 2009 new equipment sales to increase 2%–7% yy. Western European dealers expect continued sluggishness and Russian dealers expect significant growth reduction. "Growth levels should moderate next year; there are fewer large projects," a Russian source said. A French dealer said, "Not only 2009, but 2010 also looks bad. We have no good news in sight."

Asian manufacturers march on

More than one-half of EMEA dealers said Caterpillar lost market share during 3Q08. "Clients are deterred by Caterpillar's high prices and some opt for cheaper brands," a German dealer said. Western European dealers said **Volvo AB** and **Liebherr Holding GmbH** were the top market share

Global 3Q08 Orders Continue to Deteriorate YY



Time Series Analysis: Global new equipment orders were flat-down 5% yy during 3Q08, deteriorating 250 bps, as in EMEA and Asia/Pacific orders deteriorated 500 and 650 bps, respectively. North American orders improved 200 bps but remain down significantly yy.

Source: OTR Global LLC

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winners during 3Q08. Western European sources were mixed incentives offered by Caterpillar during the quarter. “[Caterpillar] tried to push sales by offering some promotions, but half-heartedly; 2% to 3% is just not enough in this situation.” a German dealer said.

Russian sources said Caterpillar lost share because of availability problems and higher prices. “Caterpillar’s new pricing frightened our clients,” one said. “Moreover, competitors have higher inventories and can sell at lower prices.” Many EMEA sources said **Komatsu Ltd.** and **Hitachi Ltd.** gained share during 3Q08, but others reported greater competition from Asian manufacturers. “People buy equipment from low-end brands just because it is available,” one said. “Two years ago, nobody would have bought from **Foton [Heavy Industries Co. Ltd.]** or **Shantui [Construction Machinery Co. Ltd.]**, but their equipment is available and cheaper.” An African dealer said, “Caterpillar’s prices can be up to 75% higher than Chinese competitors’ like XCMG [**Xuzhou Construction Machinery Science & Technology Co. Ltd.**], **Xing Guang [Industrial Co. Ltd.]** and **Sany [Heavy Industry Co. Ltd.]**.”

ASIA/PACIFIC

Demand moderates in 3Q08

More than one-half of Asian equipment dealers said conditions in the machinery market deteriorated during 3Q08. Indian dealers reported positive 3Q08 sales yy on average, but four of seven said demand declined during the quarter. “Sales are up 25% year to year, but are low compared with the targets we had. We had budgeted for much higher,” one said. Another said, “Infrastructure, real estate and urban development are seeing lower demand. New projects are not coming up as they used to.”

Japanese sources said sales and order activity yy fell below the already negative levels reported in June. “[3Q08 sales] are down over 30% year to year because of a decrease in sales to rental companies,” one said, “[and 3Q08 orders] are down because of that, in addition to a sluggish economy and increasing energy costs.” Japanese sources said a general economic downturn caused the slowing demand. “The market is just so sluggish,” one said.

Three of five Chinese sources said the nationwide halt in construction activity during the Olympic Games and seasonality kept sales below 2Q08 levels, including sources as far away from Beijing as Guangzhou. “[3Q08] sales decreased about 7%–10% year to year due to the Olympics,” one said. “Many projects were asked to stop during this period.” Although most Chinese dealers expect demand to pick up now that the Games have ended, sources said it is too early to discern a tangible rebound.

Only in the Southeast Asian market did sources unanimously report improving market conditions during 3Q08 yy. “Mining, public infrastructure, private construction and plantation sectors are still seeing relatively strong demand,” an Indonesian dealer said.

Chinese expectations drive up inventories

Asian dealers said new equipment inventories increased an average 8%–13% during 3Q08 yy, an increase compared with OTR Global’s 2Q08 findings. “New equipment inventory levels increased about 15%–20% because we expect sales will get better after the Olympics,” a Chinese dealer said. Most Chinese sources said increases were by design. Another said, “Due to the longer lead times, our inventory levels increased about 20% to support the demand. “But Indian sources said

“Infrastructure, real estate and urban development are seeing lower demand. New projects are not coming up as they used to.”

Indian dealer

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inventories increased as the build up of compact construction equipment that started in June continued. "Inventories are up 15%, most of which is backhoe loaders. All other inventories have been reduced, except excavators," one said.

Outlook moderates, 2009 growth modest

Asian dealers expect new equipment sales to increase an average 2%–7% during 2008 yy, a moderation compared with OTR Global's June report. Sources in every region reported estimates lower than June levels, with the exception of Southeast Asia. "Sales will decrease at least 30%–35%," a Japanese dealer said. "To date, we are behind that much from the same time same last year, and there are no signs of recovery in the remaining four months in 2008." Indian dealers expect positive activity for the full year, but some expect to miss earlier projections. "The macroeconomic situation being what it is, and with the downtrend in infrastructure and the growth in mining yet to come, we will not reach our projected growth of 40%," one said. "It will be more in the region of about 20%." Sources also expect new equipment sales to increase an average 2%–7% during 2009 yy. Three of five Chinese and five of seven Japanese dealers expect flat or declining demand next year. Most Indian dealers expect 2009 sales to increase but acknowledged credit issues already have deterred residential demand. Sources in Malaysia and Indonesia expect double-digit growth yy.

"To date, we are behind that much from the same time same last year, and there are no signs of recovery in the remaining four months in 2008.

Japanese dealer

LATIN AMERICA

3Q08 demand soars

Sales of new heavy equipment in Latin America increased an average 21%–26% during 3Q08 yy, a significant improvement from OTR Global's 2Q08 findings. Dealers said general construction, mining, infrastructure, wind energy and public works projects fueled demand. "We reached our sales target for 2008 last August," a Brazilian dealer said. "We've sold 360 machines compared with just 240 in 2007." New mining projects in Chile drove demand, and construction of shopping malls, data centers and hospitals drove EPG sales.

Most sources also reported increased new equipment orders during 3Q08 yy, but continued to lament long lead times for product categories in the highest demand, such as compactors and motor graders. "The order board for 2009 is closed," said a dealer specializing in mining equipment. "Right now, we are placing orders for 2010 because there is no equipment available for delivery from the factory." Although the farm crisis subsided in Argentina, sources said it did not resolve soon enough to boost sales and order activity. "No projects are going ahead right now, so acquisition of equipment is quiet," one said.

Caterpillar responds to competitors

Although sources had mixed opinions about the impact of price increases on demand, many reported reducing margins to challenge low-priced competitors. Dealers said Caterpillar's incentive policy remained unchanged during 3Q08, but some said the manufacturer is beginning to respond to competitive pressures. Sources said **Hyundai Heavy Industries Co. Ltd.** gained market share during 3Q08. "They are very strong in small-sized excavators, which account for 30% of the whole industry," a Brazilian dealer said. However, dealers said Caterpillar invested \$200 million in the Brazilian market to give dealers leverage needed to recover lost share.

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Outlook strong, but sustainability questioned

Sources expect new equipment sales to increase an average 20%–25% during 2008 and 2009 yy. Sources also expect public and private projects to continue to drive demand in Brazil and Chile. “My outlook for 2008 and 2009 sales remains positive,” one said. “In 2009, I expect to have a busy year with strong demand from the oil market.” However, some dealers expressed concern about the sustainability of high demand levels. “There’s a limit to growth,” one said. “The market is beginning to show signs of saturation.”

NORTH AMERICA

Demand down with few exceptions

North American equipment dealers said demand remained relatively unchanged during 3Q08 qq, though some dealers reported one-off sales opportunities and others noted significant declines. New equipment sales decreased an average 7%–12% during 3Q08 as almost three-fourths of North American dealers who commented reported flat or declining sales yy. “If you compare July and August of 2007 with 2008, we are down about 20% in new equipment sales,” a leading Canadian dealer said. However, sources with exposure to energy-related markets reported stable or improving sales. A Midwestern dealer said, “Natural gas was found here. It brought gas exploration that did not exist here. There’s now an immediate demand for construction equipment.”

Dealers said order activity decreased an average 8%–13% during 3Q08 yy, slightly less negative than OTR Global’s 2Q08 findings. Dealers reporting increased 3Q08 orders were either those with exposure to energy-related demand or those hedging against future price increases. “We are a pretty unique dealer because we placed a large order to protect against pricing,” a Northern dealer said. “If we are going to see a 6%–10% increase in pricing, we’ll order for six months rather than two.”

Strong end markets few and far between

Although mining, highway and infrastructure projects drove 3Q08 orders, dealers reported fewer end markets contributing to demand than in OTR Global’s June report. “The only sector with any strength is mining. The commercial sector has pretty much flattened. Road construction ... has been hurting, too,” a Western dealer said. A Midwestern dealer said, “Our territory includes [a military base], and there is a lot of work going on there. That’s about the only pocket of prosperity.” Some sources in regions with less construction activity turned to overseas markets. “Export is booming,” a Southeastern dealer said. “We’ve closed a deal and are shipping 50 some pieces to Africa.”

Incentives unchanged, dealers feel the pinch

Despite sluggish demand, most sources reported unchanged incentive activity during 3Q08 qq. “I see nothing at all on the big stuff. On the small stuff, there is nothing other than normal interest-related stuff,” an Eastern dealer said. Most dealers have been able to pass price increases on at least in part, and fewer than one-third said the most recent round of price increases deterred demand. However, many dealers said price increases have cut into dealer margins. “We haven’t passed along in full several price increases from Caterpillar. The perception is they are gouging. Our margins overall are down from where we are accustomed to being,” a leading dealer said. A

“We haven’t passed along in full several price increases from Caterpillar. The perception is they are gouging. Our margins overall are down from where we are accustomed to being.”

Leading U.S. dealer

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Western dealer said, "Because it is getting more competitive, you will end up having to absorb more of it. The closer you get to commoditized product, the more you eat price changes." Many dealers expect additional increases to be even more challenging. A Western dealer said, "This next one will be tough to pass on due to the economy and our competition. In the past, we've been OK, but with the market slowing down, we think we'll see at least some resistance."

Used pricing falls "beyond correction"

Used equipment pricing declined an average 3%–8% during 3Q08 qq. Although most sources agreed used prices reached artificially high levels in 2006 and early 2007, some now report prices declines beyond mere correction. "Some products are probably still strong, but scrapers and articulated trucks are still dropping," a Northern dealer said. "It has gone past the point of correction to pretty darn bad." Some dealers said repossession of used machinery has added supply to the market and further compounded declines. "Skid steers and backhoes are getting repossessed. Every month Cat Finance has a new repo target," a Western dealer said.

No catalyst on horizon

North American dealers expect 2008 new equipment sales to decline an average 5%–10% yy. Although dealers tied to energy markets were the most optimistic, others hope for late-year buying driven by bonus depreciation and contractors seeking to avoid 2009 pricing. "We may get some boost because of accelerated depreciation. I think that's not additional demand, just first and second quarter business pulled ahead," a Northern dealer said.

Dealers expect new equipment sales to remain flat during 2009 yy, though many have not yet budgeted for next year. Most sources do not expect a significant turnaround until 2010 at the earliest. "I don't think there will be any turnaround until mid 2010. There are no bright spots," a Northern dealer said. A Southeastern dealer said, "The long-term outlook is for 2010 before any big increase." Other dealers were even more pessimistic, with a Western dealer saying, "Non-residential activity will weaken and residential will remain weak. I don't see any change in the timber industry. You are just going to have mining and heavy roads. Demand is not going to turn around until 2011 or 2012."

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EMEA

ON 3Q08 DEMAND

"The construction crisis in Spain can be felt in some parts of France." *France*

"Besides the low economy, there is also a saturation of the market. Several companies upgraded their fleet in 2007 already." *Germany*

"The high gas prices are severely hitting our EPG sales, although banks, hospitals and nursing homes are slowly trying to replace their generator fleets." *France*

ON PRICING/INCENTIVES

"Caterpillar already raised prices twice this year, and it is deterring demand. The next price rise is expected in October." *Russia*

"We see Caterpillar more willing to help us, offering higher levels of incentives." *France*

ON COMPETITION

"Liebherr is gaining on better availability for excavators, and Hitachi [is gaining] on lower prices." *Germany*

"Komatsu is gaining with a new and more efficient dealer network." *Russia*

"Liebherr is strong in France and Germany because they have a factory close to the boarder." *France*

"Caterpillar is a refuge value in times of crisis; they will resist [pricing pressure] better than cheap manufacturers because of their higher resell value." *France*

Asia/Pacific

ON 3Q08 DEMAND

"During the Olympics, many construction projects — especially mining construction projects — were asked to stop operation. After the Olympics, these projects will come back and will drive the market sales again." *China*

"Conditions are getting worse. This is mainly because of the Olympics and lower sales due to seasonality." *China*

"We have not seen much increase [in sales], maybe 1%–2% [yy] due to delays in [government clearance] processes, leading to delays in spending decisions." *India*

"With the Reserve Bank of India getting stringent, there is less money going to the high-risk segment. With money not being available, we are going back to 2006 numbers." *India*

"Demand from various sectors such as power plant construction, public infrastructural projects and mining are all seeing strong growth." *Indonesia*

ON INVENTORIES

"Inventory is piling up; it is about 20% higher. Whatever we planned has not got liquidated because of the low demand, especially in the mid category and smaller equipment like backhoe loaders and excavators." *India*

"Since equipment prices will go up 2%–3% in October, we are increasing inventory levels by 5% now." *Japan*

ON 2009 DEMAND

"[Next year,] we will not have more demand since some large projects — especially coal mining projects — will be finished in 2009." *China*

"We see sales increasing on the back of strong government spending on public infrastructure projects." *Malaysia*

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“Unless something unusual like a natural disaster hits in this area, sales for 2009 will be lower than 2008.” *Japan*

“With elections coming up in 2009, it is likely that projects will taper off and investments will be delayed. There will be a wait-and-watch approach until after the elections.” *India*

Latin America

ON 3Q08 DEMAND

“In Argentina, there are many projects in the pipeline, a lot of exploration that we are aware of, but not many projects are being executed nor is equipment being purchased.” *Argentina*

On lead times/inventories

“Lead times are getting worse; pretty much we have dried out of equipment for 2009.” *Brazil*

“You need to load inventory — running some risks — not to lose sales.” *Brazil*

ON COMPETITION

“In these last years, we’ve been losing share because of supply shortage.” *Brazil*

“There is no discussion over price; discussions are over availability of equipment made here.” *Brazil*

“The [Korean manufacturers’] price of the 20-ton excavator is 40% cheaper than ours or of the other traditional players.” *Brazil*

North America

ON 3Q08 DEMAND

“It’s been pretty slow. Second-quarter activity died out, and we don’t expect too much until the first part of next year.” *Southeastern U.S.*

“In the energy business, parts sales are up, service is up, everything is up. Nothing is down.” *Eastern U.S.*

ON PRICING/INCENTIVES

“We haven’t hit that elasticity point where it will deter demand. Their programming allows us to respond.” *U.S. Midwest*

ON USED EQUIPMENT

“We’ve downsized our rental fleet and kept utilization high. We are looking to 2005 and 2006 inventories to meet demand rather than 2008.” *Eastern U.S.*

“The folks that do have work to do aren’t ready to get new stuff. There’s a lot of used equipment out there.” *Southern U.S.*

ON FULL-YEAR EXPECTATIONS

“If anything, you might see a little bulge in fourth-quarter activity for customers wanting to beat pricing and tax.” *U.S. Midwest*

“A lot of our revenue will be dependent upon price increase.” *Eastern U.S.*

“I think the first half of 2009 for sure will be really tough. I just don’t see anybody talking about large products that they are working on, and states have no major plans for new construction activity. I don’t think we’ve found the bottom.” *U.S. Midwest*

“For 2009, we are looking to be a good 10%–15% down. We are in our planning process for 2009, and there is just nothing rosy out there.” *U.S. Midwest*

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1. Are 3Q08 conditions and demand in the machinery market getting better, worse or remaining the same to date?

	N. AMERICA	EMEA	L. AMERICA	ASIA/PACIFIC	TOTAL
Better:	6	2	4	6	18
Same:	10	7	1	3	21
Worse:	8	10	-	12	30

2. Have 3Q08 sales of new Caterpillar construction and mining equipment increased, decreased or remained the same to date yy?

Up 51% or more:	-	-	1*	-	1
Up 41%–50%:	-	2	-	-	2
Up 26%–30%:	-	1	1	1	3
Up 21%–25%:	1	-	1	2	4
Up 16%–20%:	1	1	-	-	2
Up 11%–15%:	1	-	1	2	4
Up 6%–10%:	1	1	1	3	6
Up 1%–5%:	2	1	-	1	4
Flat:	3	4	-	3	10
Down:	2	-	-	-	2
Down 1%–5%:	1	2	-	1	4
Down 6%–10%:	1	3	-	1	5
Down 11%–15%:	4	-	-	1	5
Down 16%–20%:	1	2	-	-	3
Down 21%–25%:	2	-	-	-	2
Down 26%–30%:	2	1	-	3	6
Down 31%–40%:	-	1	-	1	2
Down 41%–50%:	1	-	-	1*	2
No response:	1	-	-	-	1
Not applicable:	-	-	-	1	1
Weighted average:	Down 7%–12%	Up 3%–8%	Up 21%–26%	Flat–up 5%	Flat
June average:	Down 13%–18%	Up 5%–10%	†Up 11%–16%	Up 5%–10%	Flat–down slightly

* Outlying sources excluded from the averages.

† June EMEA average includes data from Middle Eastern dealers who could not be reached for this report.

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3. Have 3Q08 orders for new Caterpillar equipment increased, decreased or remained the same to date yy?

	N. AMERICA	EMEA	L. AMERICA	ASIA/PACIFIC	TOTAL
Up 51% or more:	1*	2	-	-	3
Up 41%–50%:	-	1	-	-	1
Up 26%–30%:	-	-	2	2	4
Up 21%–25%:	1	-	-	-	1
Up 16%–20%:	-	4	-	1	5
Up 6%–10%:	3	-	-	2	5
Up 1%–5%:	1	-	-	2	3
Up:	-	-	1	1	2
Flat:	2	4	-	4	10
Down:	2	-	-	-	2
Down 1%–5%:	-	1	-	2	3
Down 6%–10%:	-	2	-	-	2
Down 11%–15%:	4	1	-	1	6
Down 16%–20%:	2	1	-	-	3
Down 21%–25%:	4	-	-	-	4
Down 26%–30%:	1	3	-	2	6
Down 31%–40%:	-	-	-	2	2
Down 41%–50%:	1	-	-	-	1
Down 51% or more:	-	-	-	1	1
Don't know:	1	-	1	-	2
No response:	1	-	-	-	1
Not applicable:	-	-	1	1	2
Weighted average:	Down 8%–13%	Up 5%–10%	Not averaged	Flat	Flat–down 5%
June average:	Down 10%–15%	Up 10%–15%†	Up 12%–17%	Up 4%–9%	Flat

* One outlying source in North America, one in EMEA and one in Asia/Pacific excluded from the averages.

† June EMEA average includes data from Middle Eastern dealers who could not be reached for this report.

4. Have new equipment lead times extended, shortened or remained the same during 3Q08 qq?

Extended:	5	-	2	6	13
Remained the same:	13	3	1	11	28
Shortened:	3	16	2	3	24
No response:	3	-	-	-	3
Not applicable:	-	-	-	1	1

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5. What end markets and types of projects are driving your Caterpillar equipment orders? (Some sources gave more than one answer while others did not respond.)

	N. AMERICA	EMEA	L. AMERICA	ASIA/PACIFIC	TOTAL
Mining:	7	9	2	10	28
Public sector/infrastructure:	5	10	3	1	19
Commercial construction:	4	9	-	2	15
Highway construction:	3	6	1	3	13
General construction:	-	3	2	5	10
Oil and gas fields/refineries:	5	1	2	1	9
Pipeline industry:	5	1	-	1	7
Industrial construction:	1	3	-	1	5
Agricultural equipment:	3	1	-	-	4
Residential construction:	2	2	-	-	4
Forestry:	-	-	-	4	4
Data management:	1	1	1	-	3
Emergency generation:	1	1	1	-	3
Deconstruction/recycling:	1	-	-	2	3
Quarries/aggregates:	-	1	1	1	3
Alternative energy:	1	-	1	-	2
Steel furnaces:	1	-	1	-	2
Hospitals and schools:	-	1	1	-	2
Other:	5	4	1	5	15

6a. Have 3Q08 new equipment inventory levels increased, decreased or remained the same to date yy?

Up 51% or more:	-	-	-	1*	1
Up 41%–50%:	-	-	1	1	2
Up 31%–40%:	-	-	1	-	1
Up 26%–30%:	-	1	-	1	2
Up 21%–25%:	-	1	-	-	1
Up 16%–20%:	-	3	-	3	6
Up 11%–15%:	-	2	-	2	4
Up 6%–10%:	-	3	1	-	4
Up 1%–5%:	-	2	-	2	4
Up:	2	-	-	1	3
Flat:	5	4	-	7	16
Down:	1	-	-	-	1
Down 1%–5%:	-	-	-	1	1
Down 6%–10%:	2	-	-	1	3
Down 11%–15%:	1	-	-	-	1
Down 16%–20%:	3	-	-	-	3
Down 21%–25%:	1	-	-	-	1
Down 26%–30%:	3	-	-	-	3
Down 31%–40%:	1	-	-	-	1
Down 41%–50%:	3	-	-	-	3
Don't know:	-	-	1	-	1
No response:	1	3	-	1	5
Not applicable:	1	-	1	-	2

Weighted average: Down 17%–22% Up 11%–16% Not averaged Up 8%–13% Down 1%–6%

June average: Down 14%–19% Flat† Flat–up slightly Up 1%–6% Down 4%–9%

* One outlying source excluded from the averages.

† June EMEA average includes data from Middle Eastern dealers who could not be reached for this report.

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6b. Have 3Q08 used equipment inventory levels increased, decreased or remained the same to date yy?

	N. AMERICA	EMEA	L. AMERICA	ASIA/PACIFIC	TOTAL
Up 51% or more:	-	-	-	1*	1
Up 26%–30%:	-	-	-	1	1
Up 21%–25%:	-	1	-	-	1
Up 16%–20%:	-	3	-	2	5
Up 11%–15%:	1	-	-	-	1
Up 6%–10%:	1	-	-	1	2
Up 1%–5%:	1	2	-	-	3
Up:	3	1	-	-	4
Flat:	9	4	-	3	16
Down:	1	-	-	2	3
Down 1%–5%:	-	1	-	2	3
Down 6%–10%:	3	-	-	-	3
Down 16%–20%:	1	-	-	-	1
Down 26%–30%:	1	-	-	-	1
Don't know:	1	-	1	1	3
No response:	-	3	1	-	4
Not applicable:	2	4	3	8	17
Weighted average:	Down 7%–12%	Up 10%–15%	-	Up 5%–10%	Flat–up slightly
June average:	Up 1%–6%	Flat–up 5%†	-	Flat–down 4%	Flat–up 5%

* One outlying source excluded from the averages

† June EMEA average includes data from Middle Eastern dealers who could not be reached for this report.

7a. Are new equipment price increases deterring demand?

Yes:	7	6	2	12	27
No:	8	6	3	7	24
Don't know/too early to tell:	6	1	-	1	8
No response:	3	-	-	-	3
Not applicable:	-	6	-	1	7

7b. Have you been able to pass price increases on to customers?

Yes, in full:	8	5	2	9	24
Yes, in part:	6	5	3	8	22
Don't know/too early to tell:	4	-	-	1	5
No response:	6	1	-	2	9
Not applicable:	-	8	-	1	9

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8. Have 3Q08 used equipment prices increased, decreased or remained the same to date qq?

	N. AMERICA	EMEA	L. AMERICA	ASIA/PACIFIC	TOTAL
Up 16%–20%:	-	-	-	1	1
Up 11%–15%:	-	1	-	-	1
Up 1%–5%:	-	2	1	3	6
Up:	1	-	-	1	2
Flat:	9	4	-	4	17
Down:	5	-	-	1	6
Down 1%–5%:	2	3	-	2	7
Down 6%–10%:	1	1	-	-	2
Down 11%–15%:	1	1	-	-	2
Down 16%–20%:	1	1	-	1	3
Down 21%–25%:	-	-	-	1	1
Don't know:	1	-	1	1	3
No response:	1	2	-	1	4
Not applicable:	2	4	3	5	14
Weighted average:	Down 3%–8%	Down 1%–6%	-	Flat	Down 2%–7%
June average:	Flat–down 4%	Flat–down 5%†	-	Flat	Flat–down 4%

† June EMEA average includes data from Middle Eastern dealers who could not be reached for this report.

9. Has Caterpillar's incentive activity increased, decreased or remained the same during 3Q08 qq?

Increased:	4	5	1	-	10
Remained the same:	18	13	3	8	42
Decreased:	-	-	1	6	7
Don't know:	1	-	-	-	1
No response:	1	1	-	1	3
Not applicable:	-	-	-	6	6

10a. Which companies gained market share in your territory during 3Q08? (Some sources gave more than one answer while others did not respond.)

Komatsu:	5	4	-	10	19
Caterpillar:	1	5	1	7	14
Deere:	6	-	-	-	6
Volvo:	1	4	-	1	6
Chinese companies:	-	4	-	1	5
Hitachi:	-	4	-	1	5
Doosan Infracore:	2	-	-	2	4
Liebherr Holding:	-	4	-	-	4
Hyundai:	-	-	2	2	4
Sany:	-	2	-	1	3
Kobelco:	-	-	-	3	3
Telcon:	-	-	-	3	3
Daewoo:	-	-	-	2	2
Other:	2	5	2	3	12
All the same:	11	-	-	2	13

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10b. Which companies lost market share in your territory during 3Q08? (Some sources gave more than one answer while others did not respond.)

	N. AMERICA	EMEA	L. AMERICA	ASIA/PACIFIC	TOTAL
Caterpillar:	3	10	2	7	22
Komatsu:	-	3	3	1	7
JCB:	-	1	-	5	6
Hitachi:	-	2	-	2	4
Volvo:	-	2	-	2	4
CNH:	-	-	2	-	2
Other:	-	-	-	3	3
All the same:	11	-	-	2	13

11. Do you expect 2008 new equipment sales to increase, decrease or remain the same yy?

Up 51% or more:	-	1*	-	1*	2
Up 41%–50%:	-	1	1	-	2
Up 26%–30%:	-	2	1	-	3
Up 21%–25%:	1	-	1	2	4
Up 16%–20%:	-	1	1	1	3
Up 11%–15%:	1	3	-	2	6
Up 6%–10%:	1	-	-	1	2
Up 1%–5%:	3	3	-	2	8
Up:	-	-	-	2	2
Flat:	2	-	1	2	5
Down:	1	-	-	-	1
Down 1%–5%:	3	-	-	-	3
Down 6%–10%:	2	5	-	2	9
Down 11%–15%:	1	2	-	2	5
Down 16%–20%:	3	1	-	-	4
Down 21%–25%:	2	-	-	1	3
Down 26%–30%:	1	-	-	1	2
Down 31%–40%:	-	-	-	1	1
Don't know:	1	-	-	-	1
No response:	1	-	-	-	1
Not applicable:	1	-	-	1	2

Weighted average: Down 5%–10% Up 8%–13% Up 20%–25% Up 2%–7% Up 1%–6%

June average: Down 7%–12% Up 10%–15%† Up 13%–18% Up 7%–12% Flat-up 5%

† June EMEA average includes data from Middle Eastern dealers who could not be reached for this report.

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12. Do you expect 2009 new equipment sales to increase, decrease or remain the same yy?

	N. AMERICA	EMEA	L. AMERICA	ASIA/PACIFIC	TOTAL
Up 31%–40%:	-	-	1	-	1
Up 26%–30%:	-	2	2	-	4
Up 21%–25%:	-	-	-	1	1
Up 16%–20%:	-	1	-	1	2
Up 11%–15%:	-	-	2	1	3
Up 6%–10%:	1	1	-	2	4
Up 1%–5%:	2	1	-	3	6
Up:	2	2	-	2	6
Flat:	7	3	-	4	14
Down:	1	-	-	4	5
Down 1%–5%:	3	2	-	1	6
Down 6%–10%:	3	4	-	-	7
Down 11%–15%:	1	2	-	-	3
Down 31%–40%:	-	1	-	-	1
Don't know:	3	-	-	1	4
No response:	1	-	-	-	1
Not applicable:	-	-	-	1	1
Weighted average:	Flat	Up 2%–7%	Up 20%–25%	Up 2%–7%	Up 2%–7%

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