The Long-term Impact of COVID-19 on Equipment Industry - by Jeff Robbins

WIth heavy dependency on numerous essential and non-essential businesses, the future for the Equipment industry bears an examination. To date and depending on the state, many industries like construction, agriculture, road work, plumbing and sewer, have seen little to no impact on productivity or work, based on COVID-19. Generally, the viability of most industries' long-term prospects are predicated on a full recovery.

This does not mean that there are fundamentally no issues in the process of new projects or starts. There are impacts and concerns for many that work in or depend on heavy equipment to do their jobs. In a survey of 172 contractors across the U.S. from March 19 to March 31, most participants felt some impact by the pandemic, with the worst coming in the next three months.[1]

Many of the delays that impact the construction industry are the result of material delays caused by supply chain disruptions, equipment delay, or shortage of workers, possibly due to concern or illness associated with the coronavirus. With only three states, New York, New Jersey, and Michigan, designating construction as non-essential, the future seems bright for the industry as a whole.

However, in the Dodge Data & Analytics study shows that two-thirds of the industry is already experiencing project delays, 87% expect to see their businesses impacted in the next three months, and very few believe that payroll insurance will likely provide a sufficient backstop. The concern is not so much about the coronavirus, but more about the prospects of recession as a result of the virus.

The equipment manufacturing side of the industry also has a bear outlook and is hoping that the government will be doing more to protect and help jumpstart the economy. In a survey of CEO's conducted by the American Equipment Manufacturers, the long-term prospects of the industry seems to be about lowering expectations. Four of 10 executives surveyed expect the outlook for the next 30 days to get worse and said they plan to lower their financial outlook for the same period of time by more than 30 percent. The outlook for the rest of the year is better, but six out of 10 CEO's said they still plan to reduce their financial outlook by up to 30 percent.

Despite the lowering of expectations, hope and optimism abounds in the form of programs and financial specials. Construction and equipment manufacturers are offering financing deals and loan programs for both dealers to offer, and clients to find relief. In a recent article in Equipment World, cited that the financing challenge is actually two-fold, says David Sutton, president, Kubota Credit. "We want to help the dealers attract and incent customers to buy and we want to make sure the customers we have are comfortable with their current loans."

The plans that are being created are taking into consideration both sides of the transactions; dealer and customer. Other large global manufacturers hold the same perspective as Kubota. Brian Layman, vice president, construction equipment financial services, Volvo Financial Services, U.S says, "We've taken very proactive steps to make sure we're supporting our customers and dealers during this crisis". As an example, Volvo is offering 90-day payment deferral for qualified buyers, "pick-a-skip" payment for one payment

during the year, up to $1,000 credit on a Smart Commercial Account for selected machine purchases. Volvo also has a range of machine-specific offers that have 0 percent interest rates.

With construction seeing little impact in many states, customer backlogs remain strong with customers buying new and used equipment for their needs. The question remains, can customers get credit. The offers are wide ranging, with the list of manufacturer offers extensive. For a list of offers from a variety of equipment manufacturers, click here.

Many in the industry, rightfully so, are comparing the coronavirus pandemic to the Great Recession of 2008. The main difference between the two periods is 2008 was about the financial system shutting down due to poor regulatory compliance practices. Conversely, this is really a shutdown due to a virus and trying to flatten the curve to mitigate more cases of the virus and death as a result of the virus.

Kubota's David Sutton is quoted as saying, "The Great Recession was a cash recession. This is basically a shut down and the cash is still there. There's plenty of money available. The worst case would be if this lingered into the fall or winter. But if we can open up in June or July, the demand is still there."

Conventional wisdom and hope are indicating that if the country can return to some level of normalcy, by late summer, then a recovery blooming, toward the end of 2020 and into 2021 is not that far-fetched. As more states begin to open up and city halls begin to also return to a level of normalcy, build permits and infrastructure projects could begin. Although still uncertain, the future is showing glimpses of hope and optimism.

[1] https://www.forconstructionpros.com/business/press-release/21130467/many-contractors-concerned-about-longerterm-impacts-of-covid19-crisis?utm_source=FCP+Headline+News&utm_medium=email&utm_campaign=HCL200429006&o_eid=5880E7330967J5Z&rdx.ident%5Bpull%5D=omeda%7C5880E7330967J5Z&om_id=1015390664&oly_enc_id=5880E7330967J5Z