



2016 Top Markets Report **Recreational Transportation** Sector Snapshot

Motorcycles and Parts

ITA expects the Motorcycles Sector to expand overseas as exports become a more important driver of the U.S. industry. In 2018, ITA forecasts the U.S. export-to-shipment ratio to grow to 30 percent for the sector. Total U.S. exports of motorcycle products are expected to grow 5 percent annually, reaching an estimated \$1.4 billion in 2018. The U.S. industry is composed of two major manufacturers and many smaller manufacturers of custom motorcycles, electric cycles, parts and accessories.

U.S. product shipments of motorcycles were \$4.9 billion in 2014. The industry expanded from 2009 to 2013 but, in 2014, declined from \$5.0 billion the previous year. The export-to-shipment ratio was 27 percent in 2014, an increase from 26 percent in 2013. The forecast to grow to 30 percent in 2018 is a realization that middle-class wage earners are growing faster in overseas markets than in the United States. Motorcycles sales in the United States reached their peak in 2005. Sales fell drastically with the recession. Sales have rebounded since but are nowhere near the levels from the beginning of the century.

The U.S. industry is dominated by one manufacturer, Harley-Davidson Motor Company (H-D). H-D manufactures large motorcycles. Smaller-engine motorcycles are typically imported from Japanese companies. H-D has perfected a unique product that attracts many motorcycle riders worldwide. This iconic "V-twin" engine design has become a symbol of the American free spirit. That spirit has become very popular overseas.

The U.S. has a strong market for large motorcycles, as large motorcycles hold a much bigger share here than in most international markets, which are dominated by smaller, cheaper models. This is likely the reason for H-D being the leading supplier in the U.S. in 2014 at 31 percent, according to statistics from the Motorcycle Industry Council. The next largest supplier was Honda with 14 percent. Honda and Kawasaki both make some of their larger motorcycles in the United States. The U.S. apparent consumption of motorcycles and parts totaled \$5.7 billion in 2014.

The Motorcycle Industry Export Base

While Harley Davidson might be the key to the industry, there are many parts and accessory companies that supply the company and offer similar custom "V-twin" products, such as Victory (Polaris Industries) and Orange County Choppers. These companies have great export opportunities if they meet international motorcycle standards.

While the domestic market for motorcycles may not reach earlier levels, H-D has made a greater effort to grow international sales. One reason for this is that motorcycle per capita usage is higher in many overseas markets, particularly in Asian markets.

Figure 1: Top Motorcycle Export Markets through 2018

1. Belgium
2. Canada
3. Japan
4. Australia
5. Singapore
6. Mexico
7. Germany
8. Hong Kong
9. New Zealand
10. South Africa
11. United Kingdom
12. Netherlands
13. United Arab Emirates
14. Malaysia

H-D has begun manufacturing small engine motorcycles (the STREET line) with its signature "V-twin" design. This bike is likely to appeal to newer, younger consumers in the United States and, particularly, in overseas markets.

H-D has had success in several markets, including Japan, where it has become the top brand for large motorcycles against the world's leading motorcycle manufacturers. U.S. exports to Japan totaled \$109 million in 2015.

The top destination for U.S. exports of motorcycles and parts is Belgium. Such exports will reach a forecast total of \$520 million by 2018. H-D uses distributors in the country to sell into several other Western European markets. The second largest destination for U.S. exports of motorcycles and parts is Canada. It is forecast that U.S. exports to Canada will total \$178 million in 2018.

Australia and Singapore are the next two largest destinations for U.S. exports of motorcycles and are forecast to reach \$103 million and \$72 million in 2018.

Optimizing U.S. Leverage

Harley-Davidson markets its products successfully worldwide. The company, however, has had difficulties in several markets. These difficulties are typically standards related, despite the fact that H-D manufactures safe, clean and quiet products that are designed to be ridden on all roads that an automobile can use.

A number of Asian markets do not have many large motorcycles; instead, they have a large fleet of small two-stroke motorcycles that can create pollution and over-crowd roads. To combat these problems some countries have created market-specific hybrid emission standards different from those of international norms.

Some Asian markets have banned all motorcycles from highways because they have virtually no large motorcycles and the small motorcycles are underpowered and unable to maintain highway speeds. Large motorcycles are sufficiently powered for highways and are safer on highways than on crowded street roads. U.S. export agencies can point to how many U.S. states ban smaller engine motorcycles from highways but not large cycles. Taiwan is a market that has removed such restrictions and allows large motorcycles on its major expressways. Korea, Vietnam and others, however, still maintain highway restrictions.

China has adopted Asia's most onerous restrictions to combat pollution and crowding in its cities. Over 100 cities in China have varied restrictions on motorcycles. In some areas, it is just a restriction on new motorcycle regulations. In other cases, they have outright bans. While some of the reasons for owning a large motorcycle are to enjoy the open countryside, most consumers who can afford these motorcycles live in these major urban centers. While these regulations may not reflect national policy, they were adopted following recommendations from policy makers in Beijing. U.S. negotiators should engage Chinese policy makers to encourage China to identify a trial city where large motorcycles are allowed to be registered and operated on streets and highways so that China can effectively assess the very limited impact these motorcycles have on urban traffic flow.

While a company like Harley-Davidson may not need export promotion services, custom builders and parts manufacturers are small firms that need considerable export assistance. Participation in domestic International Buyer Program shows and certified-overseas trade shows, like the EICMA show in Milan, Italy, would be the best way to reach and help these firms.