

U.S. Motorcycle Market Changes Gears

David Coffin, Office of Industries, David.Coffin@usitc.gov (202) 205-2232

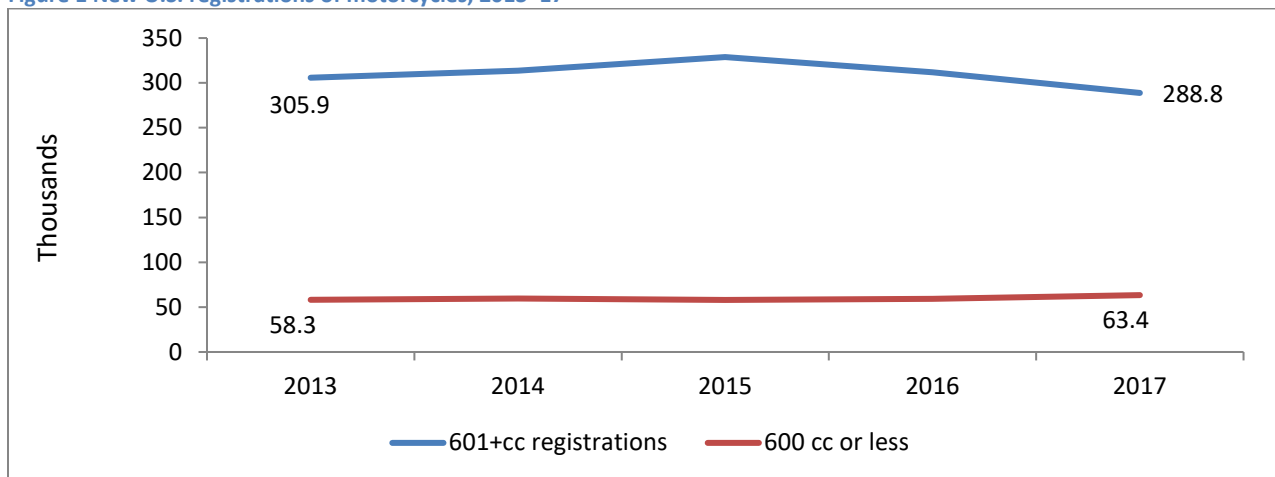
Changing U.S. demand for motorcycles—partially due to demographic changes (aging Baby Boomers, and Millennials coming of age)—has led to manufacturers selling more entry-level bikes to Millennials, and fewer large, heavy, powerful, and expensive recreational bikes to Baby Boomers. These changes have negatively affected the profits of the largest U.S. motorcycle manufacturer, Harley-Davidson, which is known for its recreational bikes.

Structure of the global motorcycle market¹

The global motorcycle market consists of two distinct market segments: vehicles for recreational use, and entry-level vehicles for inexpensive transportation (which is a much larger market globally). U.S. producers tend to manufacture large (601+cubic centimeter (cc) engines), expensive motorcycles for recreation, while the largest global producers—China, India, and Indonesia—manufacture entry-level versions, which are smaller. Japan and several countries in the EU manufacture a wider range of products than U.S. producers, from lightweight motorcycles for transportation to heavyweight motorcycles for touring and sport.

U.S. recreational motorcycle demand has declined in line with aging Baby Boomers, the mainstay of the industry, while interest in cheaper, lighter, and more accessible motorcycles has increased, likely reflecting a shift to younger buyers. Smaller motorcycles tend to be less profitable than larger ones and sales have declined, which has reduced Harley Davidson (HD) sales and profits. From 2013 to 2017, HD’s revenues from motorcycle sales declined \$400 million (8 percent) from \$4.2 billion to \$3.8 billion. Increased HD exports did not make up for declining U.S. demand; new motorcycle registrations in the United States during 2017 were over 352,000—12,000 fewer than in 2013. Further, new registrations of motorcycles with large engines actually declined by more than 17,000 units during 2013–17 (figure 1). At the same time, registrations for smaller motorcycles increased over the same period.

Figure 1 New U.S. registrations of motorcycles, 2013–17



Sources: Harley Davidson 2017 10-k p. 4; Harley Davidson 2016 10-k p.4.

¹ Data in this EBOT excludes HTS subheadings 871110, 871160, and 871190. Imports in these subheadings include mopeds, hoverboards, electric bicycles, and other recreational products that do not compete with motorcycles.

The views expressed are those of the author and not those of the USITC or any of its Commissioners.

Leading U.S. Producers are Adjusting to a Changing Market

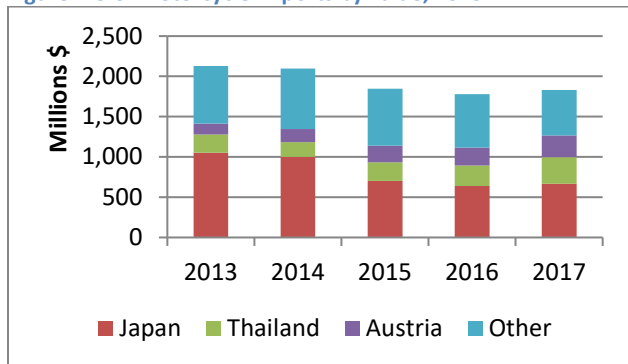
HD is the top U.S. motorcycle producer, primarily producing motorcycles with large engines for recreational use. HD’s market share has declined from 46 percent of all U.S. motorcycle sales (and 55 percent in motorcycles 601+cc), to less than 42 percent (and 50 percent of 601+cc). In response, HD introduced smaller bikes that are more accessible to new riders, classes, and training programs for new riders. Indian Motorcycles is the second largest U.S. motorcycle producer, and only produces relatively large motorcycles. Most other U.S. manufacturers produce large motorcycles in small quantities.

U.S. motorcycle trade

Overall, U.S. motorcycle imports declined 14 percent from \$2.1 billion in 2013 to \$1.8 billion in 2017, keeping with the overall decline in registrations. Much like the trends observed in the domestic market, U.S. imports of motorcycles exhibited a reduced preference for larger motorcycles, relative to smaller ones. For example, imports of motorcycles with greater than 800cc engines declined 25 percent during 2013–17, while smaller motorcycle imports only declined by 2 percent. Further, smaller motorcycles’ share of U.S. motorcycle imports increased from 48 to 55 percent during 2013-17. On a value basis, Japan was the top source of U.S. imports, but such imports declined 36 percent from over \$1 billion in 2013, to less than \$670 million in 2017 (figure 2). Imports of larger motorcycles from Japan declined faster than imports of smaller motorcycles. Major motorcycle suppliers, Honda and Kawasaki, produce motorcycles in Japan. At the same time, U.S. imports from Thailand increased 43 percent to \$327 million, which included growth in imports of all types of motorcycles. Increased foreign investment led to increased motorcycle production in Thailand. Thai motorcycle production expanded by 61,000 in 2017 to 176,000 units. Japanese and European manufacturers assemble motorcycles in Thailand, and Harley Davidson has announced plans to open a plant in Thailand as well.

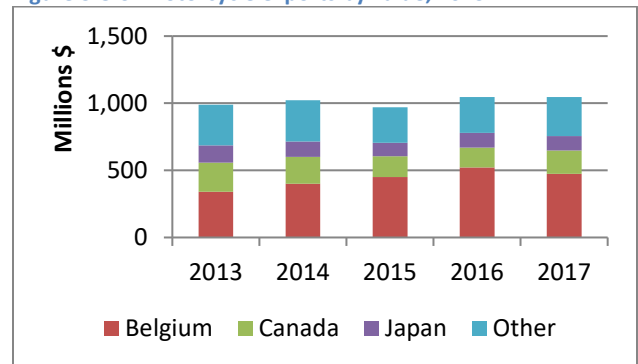
U.S. motorcycle exports increased 6 percent from \$0.99 billion in 2013 to \$1.05 billion in 2017 (figure 3). The EU was the top destination for U.S. motorcycle exports, with over 50 percent of 2017 U.S. motorcycle exports (\$531 million). The EU tends to be the top market for U.S. motorcycles, as Europe is a significant market for large recreational bikes that U.S. manufacturers specialize in. Nearly 93 percent of U.S. motorcycle exports were of motorcycles with engines greater than 800ccs.

Figure 2 U.S. Motorcycle imports by value, 2013–17



Source: USITC, Dataweb (accessed March 12, 2018).

Figure 3 U.S. Motorcycle exports by value, 2013–17



Source: USITC, Dataweb (accessed March 12, 2018).

Sources: USITC, Dataweb (accessed various dates); Harley Davidson 2016 10-k; Harley Davidson 2017 10-k; Harley Davidson 2018 10-k; Vaughn, Mark. “The motorcycle industry is losing customers; what must it do?” *Autoweek*, November 20, 2017. <https://tinyurl.com/ya2r4hng>; Stock, Kyle. “Can Millenials Save the Motorcycle Industry?” *Bloomberg Pursuits*, July 5, 2017. <https://tinyurl.com/y9ab6tn7>; FT Confidential Research, “Honda, Ducati lead shift to big motorbikes in Thailand,” December 26, 2017. <https://tinyurl.com/ycks97z5>.