

Capital Goods

2M24: Solid growth of forklifts; weakness continued for tower cranes & excavators

China Construction Machinery Association (CCMA) released a full set of construction machinery sales data for Feb 2024. Combining the sales figures in 2M24 (to remove the Lunar New Year effect), most of the machines (except forklifts) reported YoY declines. Tower cranes/excavators reported a 49%/22% YoY decline in sales volume. Therefore, we are still cautious on **SANY Heavy (600031 CH, HOLD)** due to its high exposure to excavators and slowing exports. We also maintain our conservative view on **Zoomlion (1157 HK/000157 CH, HOLD)**, as weak property-related machinery demand in China may offset the strong growth in exports. On the contrary, we maintain our positive stance on **Zhejiang Dingli (603338 CH, BUY)** due to its solid AWP growth story overseas.

- **Forklifts were the only products that reported growth:** Forklifts reported 11% YoY sales volume growth in 2M24, driven by a 5%/22% increase in China sales/exports.
- **Resilient sales of AWP on strong exports:** Sales of AWP slightly dropped 6% YoY in 2M24, as the export growth of 25% was largely offset the 29% decline in China sales.
- **Excavators saw a decline in both China sales and exports:** Total sales dropped 22% YoY in 2M24. While weak domestic demand is largely expected, the decline in exports remains our concern. We maintain our view that exports of excavators will be challenging given the rising competition.
- **Tower cranes remained the worst.** Despite the low base, tower crane sales reported a 49% YoY decline, due to the 56% decline in China demand. We expect the weakness in property investment will continue to weigh on the demand for tower cranes.

Major construction machinery sales in 2M24

	Sales volume (units)			Change (YoY)		
	Total	China	Export	Total	China	Export
Excavator	24,984	11,258	13,726	-22%	-25%	-19%
Wheel loader	14,297	6,507	7,790	-8%	-19%	0%
Truck crane	3,094	1,750	1,344	-18%	-36%	21%
Crawler crane	416	126	290	-16%	-32%	-7%
Tower crane	1,146	903	243	-49%	-56%	58%
Forklift	178,737	113,820	64,917	11%	5%	22%
Aerial work platform	27,361	12,005	15,356	-6%	-29%	25%

Source: CCMA, CMBIGM

Downstream applications of construction machinery in China

Type of machinery	Infrastructure	Property	Mining	Manufacturing
Excavator	High	Medium	Low	Low
Wheel loader	Medium	Low	High	Low
Truck crane	High	Low	n/a	Low
Tower crane	n/a	High	n/a	n/a
Concrete machinery	Medium	High	n/a	Low
Coal mining equipment	n/a	n/a	High	n/a
Mining transport truck	n/a	n/a	High	n/a
Aerial work platform	Medium	Low	na	High

Source: CMBIGM

OUTPERFORM
(Maintain)

China Capital Goods Sector

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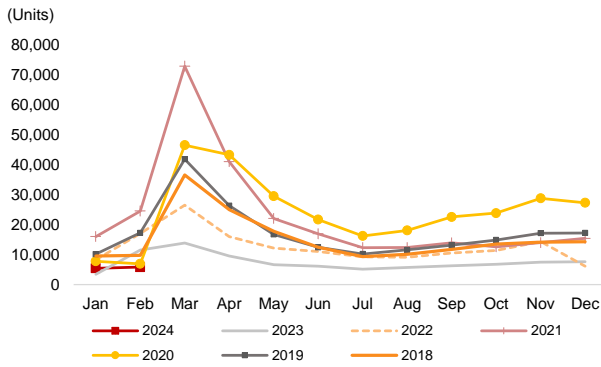
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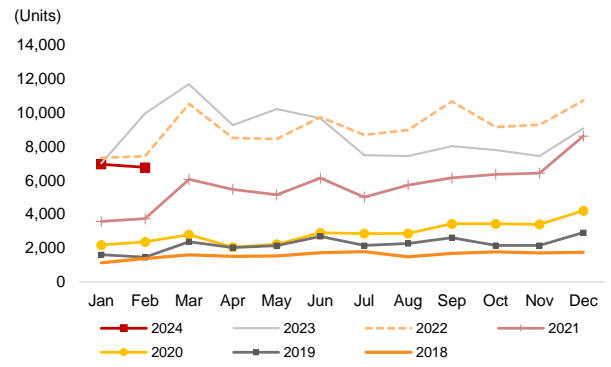
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Figure 1: Monthly excavator sales in China



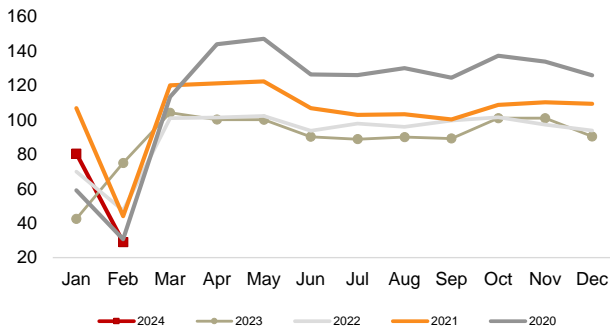
Source: CCMA, CMBIGM

Figure 2: Monthly excavator export volume



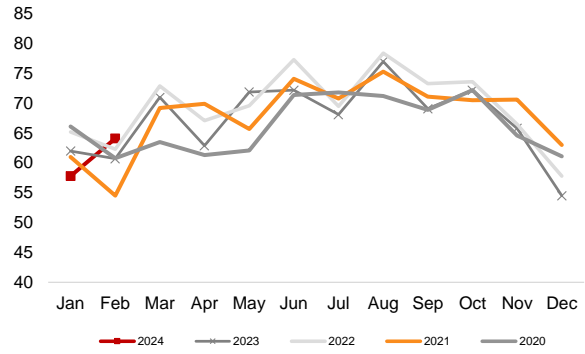
Source: CCMA, CMBIGM

Figure 3: Komatsu excavator monthly utilisation hours in China



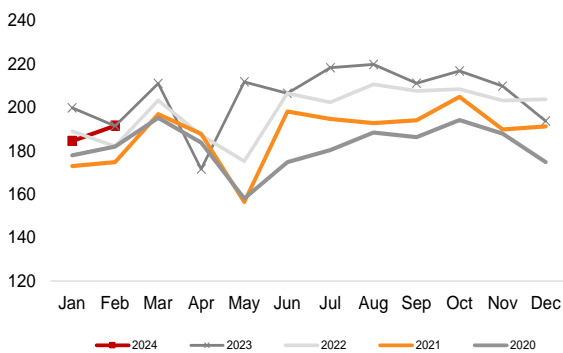
Source: Komatsu, CMBIGM

Figure 4: Komatsu excavator monthly utilisation hours in North America



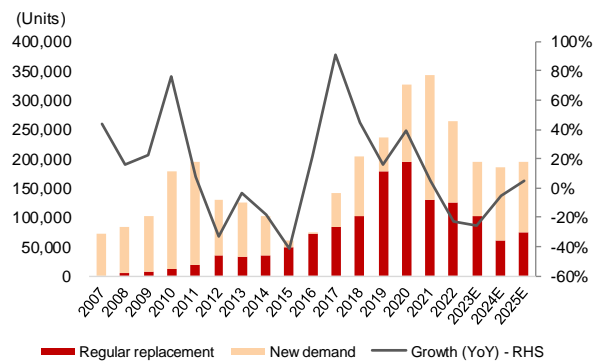
Source: Komatsu, CMBIGM

Figure 5: Komatsu excavator monthly utilisation hours in Indonesia



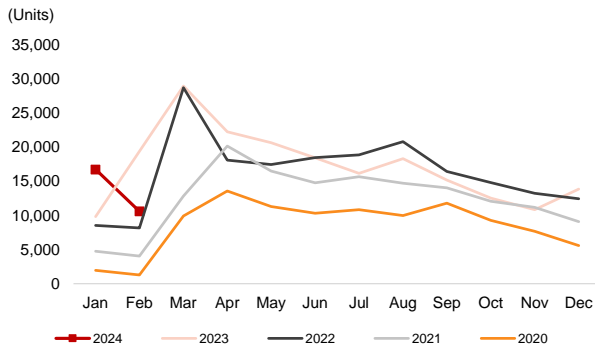
Source: Komatsu, CMBIGM

Figure 6: CMBIGM excavator sales projection



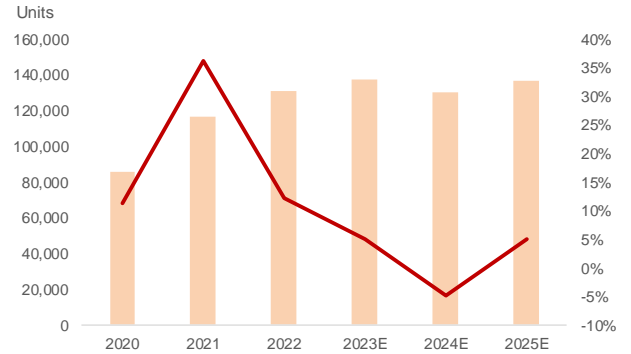
Source: CCMA, Wind, CMBIGM estimates

Figure 7: AWP monthly sales (domestic + exports)



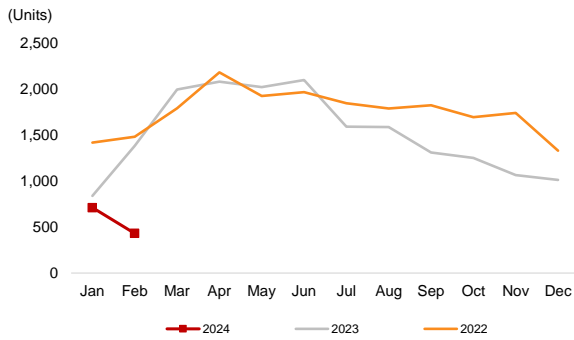
Source: CCMA, CMBIGM

Figure 8: CMBIGM AWP sales projection (China only)



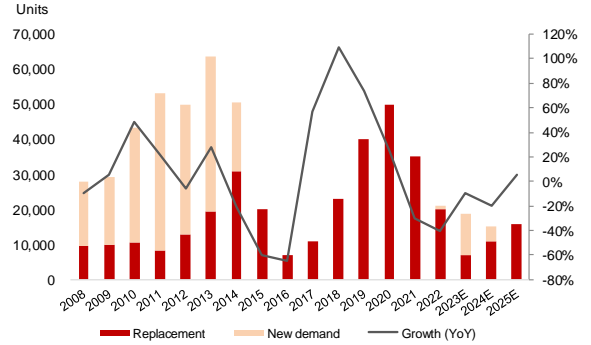
Source: CCMA, CMBIGM estimates

Figure 9: Tower crane monthly sales volume



Source: CCMA, CMBIGM
Note: Domestic sales + exports

Figure 10: CMBIGM tower crane sales projection



Source: CCMA, CMBIGM estimates
Note: Domestic sales + exports

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