

# Capital Goods

## Domestic excavator sales +29% YoY in May

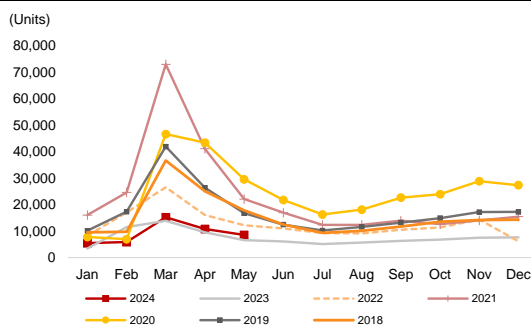
Both excavators and wheel loaders, the two major earthmoving machinery, saw double-digit growth in China market in May. According to China Construction Machinery Association (CCMA), domestic sales of excavators grew 29% YoY to 8.5k units in May, with growth rate accelerating from 9%/13% in Mar/Apr. We believe the growth in May was driven by small-size excavators as a result of utilities and municipal projects. On the contrary, exports of excavators dropped 9% YoY to 9.3k units in May, representing a 12th consecutive month of decline, due to the high base effect and softening demand in some overseas markets. In 5M24, domestic sales / exports of excavators was +2% / -15% YoY. Going forward, we expect domestic demand for excavators will continue to improve, driven by municipal projects and non-ferrous metal mining spending, as well as policy-driven replacement demand. For exports, we highlight that excavators are the only type of machine that has seen continuous weakness, as sales of other types of machinery remain solid overseas. We continue to like **Zoomlion (1157 HK/000157 CH, BUY)** for its market share gain potential in different regions. Maintain **BUY** on **Jiangsu Hengli (601100 CH)** on recovery of excavator sales. We are conservative on **SANY Heavy (600031 CH, HOLD)** due to concerns on exports but see upside risk upon further improvement in domestic excavator demand.

### Excavator and wheel loader sales in May 2024

	Sales volume (units)			Change (YoY)		
	Total	China	Export	Total	China	Export
Excavator	17,824	8,518	9,306	6%	29%	-9%
Wheel loader	9,824	5,172	4,652	8%	14%	2%

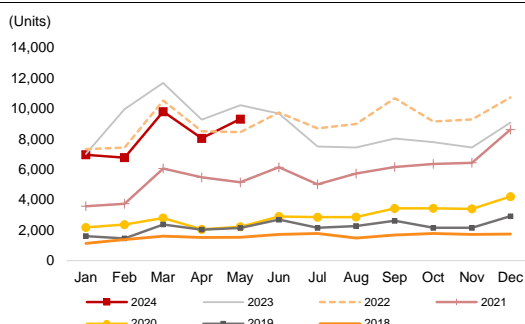
Source: CCMA, CMBIGM

### Monthly excavator sales volume in China



Source: CCMA, CMBIGM

### Monthly excavator export volume



Source: CCMA, CMBIGM

**OUTPERFORM**  
**(Maintain)**

### China Capital Goods Sector

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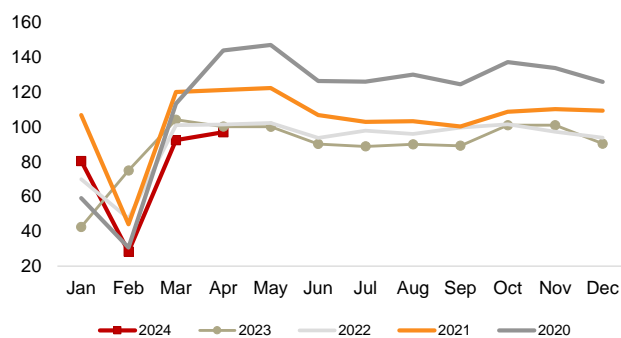
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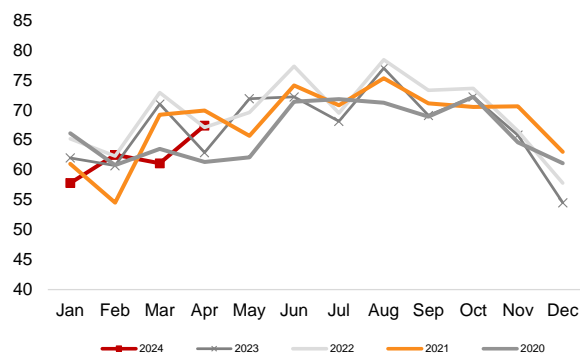
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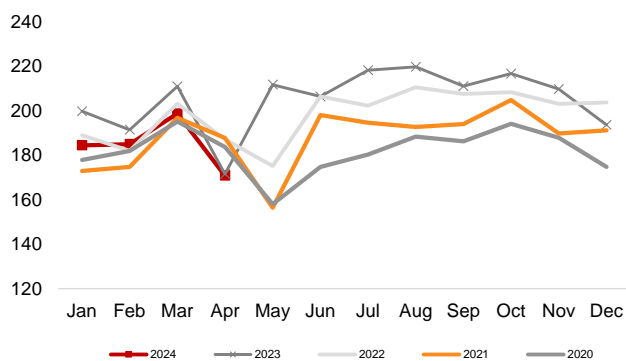
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**Figure 1: Komatsu excavator monthly utilisation hours in China**


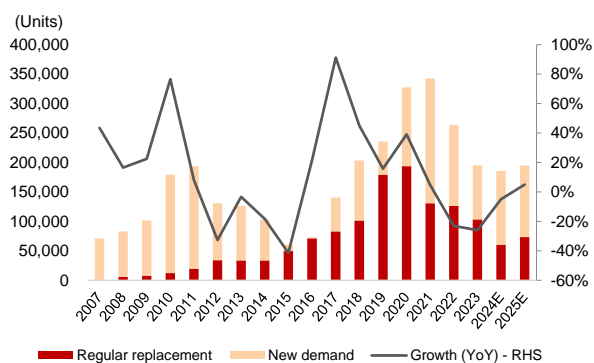
Source: Komatsu, CMBIGM

**Figure 2: Komatsu excavator monthly utilisation hours in North America**


Source: Komatsu, CMBIGM

**Figure 3: Komatsu excavator monthly utilisation hours in Indonesia**


Source: Komatsu, CMBIGM

**Figure 4: CMBI excavator sales projection**


Source: CCMA, Wind, CMBIGM estimates

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