

Machinery, E&C and Waste

Who is pricing above costs? Rocks still strong, Miners/construction over farmers

Industry Overview

Who can price above cost into 2024?

We continue to see cooling of inflation in 2024 and observe signs of this bifurcation emerging already in Q4. We advise monitoring pricing in the [used market](#) (see report) for early signs – auction values down YoY and moderating sequentially, but still not observing a notable ‘crack’/step lower yet. Critical to 2024 is what equipment can continue to price above costs (given some costs starting to rise: steel, HRC, shipping).

Rocks: Pricing continues to hold well above costs

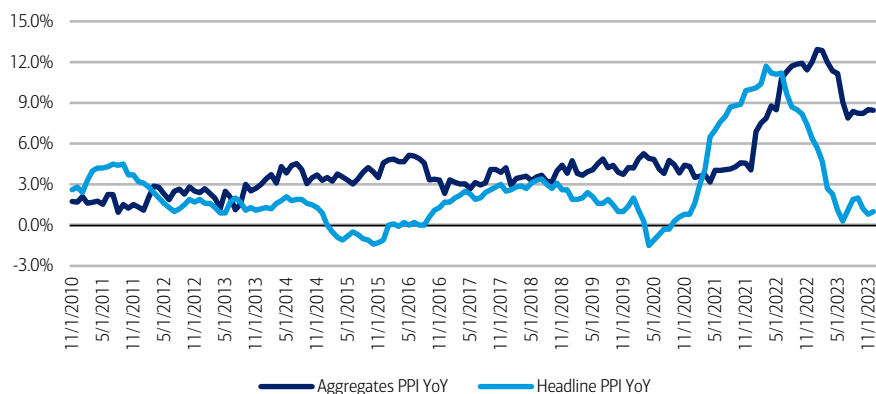
Sand, gravel, and crushed stone PPI (proxy for aggregates) held steady at +8.5% YoY in December (vs +8.5% November vs +8.2% October). Aggregates PPI continues to outpace headline PPI and CPI with a fairly wide margin (exhibit 1). We hosted [Vulcan Materials last month](#) (see report) with positive commentary on price vs cost for 2024.

Construction, mining steady(ier) vs farmers the weak link

Machinery equipment price increases have been moderating given tough comparatives and less outsized PIs. Trends across our coverage include: i) Construction equipment pricing decelerated in Q4 yet held steady in December in mid to high single digit range – albeit, CAT pricing to moderate/step lower in Q4 (Exhibit 5 vs CAT construction), ii) Mining decelerated in Q4 yet remains high single digits in December – tracking relative to CAT (exhibit 3), iii) Farm equipment decelerating to low single digit (+1%) – lowest in 2-3 years. (See Exhibits 4-5 relative to Deere, largest farm equipment OEM), iv) bearings pricing decelerated thru ‘23 yet steady in low single digit range in December (exhibit 8).

Exhibit 1: Aggregates (Sand, Gravel, Crushed Stone) PPI YoY vs Headline PPI YoY

Aggregates pricing continues to outpace CPI after lagging in 2H22-2022



Source: Federal Reserve Economic data

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Equity
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Michael Feniger
Research Analyst
BofAS
+1 646 855 1923
michael.feniger@bofa.com

Sherif El-Sabbahy
Research Analyst
BofAS
sherif.el-sabbahy@bofa.com

Nandita Nayar
Research Analyst
BofAS
nandita.nayar@bofa.com

Blake Greenhalgh
Research Analyst
BofAS
blake.greenhalgh@bofa.com

PPI = Producer Price Index

PIs = Price increases

OEM = original equipment
manufacturer

HRC = hot rolled coil

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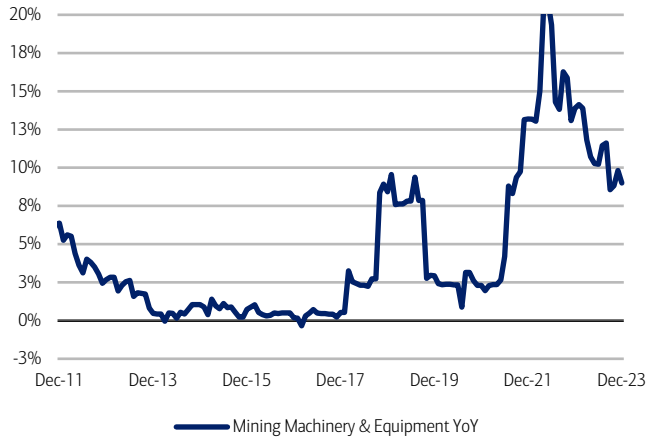
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Exhibit 2: Mining Machinery Equipment pricing decelerates

Mining Equipment pricing decelerates – in high single digit range

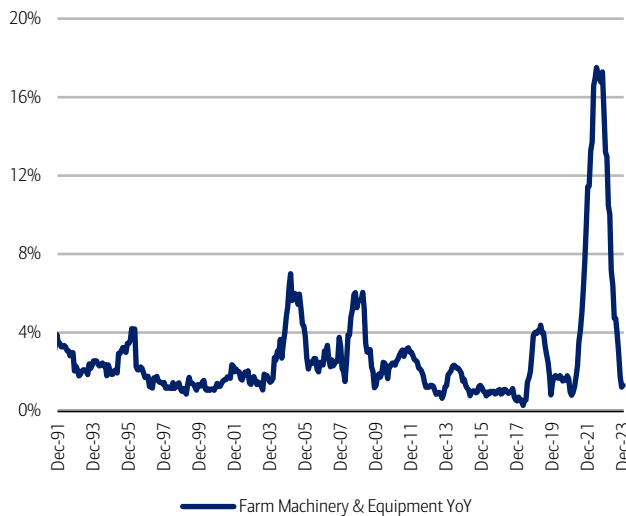


Source: Federal Reserve Economic data, CAT filings

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Exhibit 4: Farm Machinery Equipment Pricing YoY

Farm Machinery Equipment Pricing decelerates to low single digit (+1.3%)

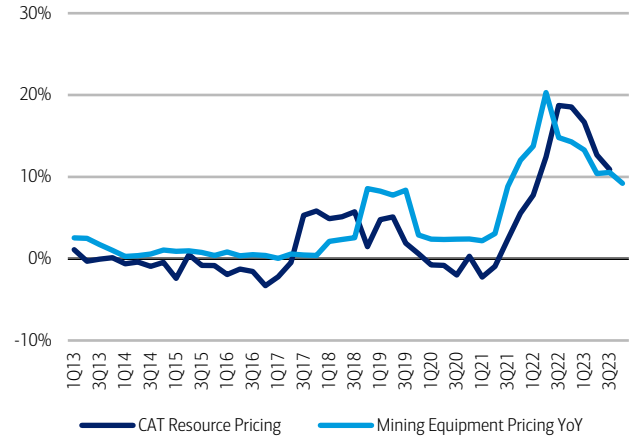


Source: Federal Reserve Economic data

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Exhibit 3: Mining Machinery vs CAT Resources Pricing YoY

Mining Pricing suggest CAT Resources Pricing to continue to decelerate – yet still above cost inflation for now

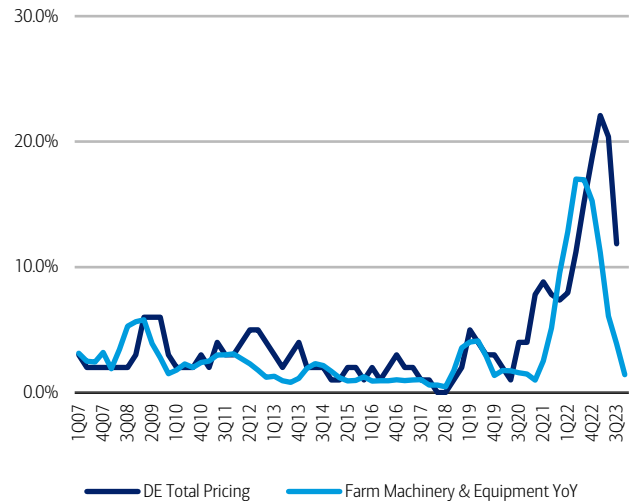


Source: Federal Reserve Economic data, CAT filings

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Exhibit 5: Farm Machinery Equipment Pricing YoY vs Deere Pricing

Farm Machinery pricing suggests Deere pricing to decelerate

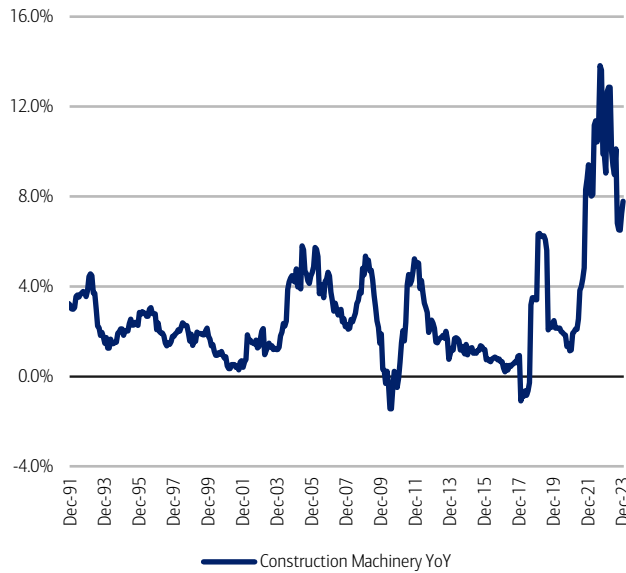


Source: Federal Reserve Economic data, Deere filings

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Exhibit 6: Construction Machinery Equipment pricing decelerates

Mining Equipment pricing holds up in high single digit range

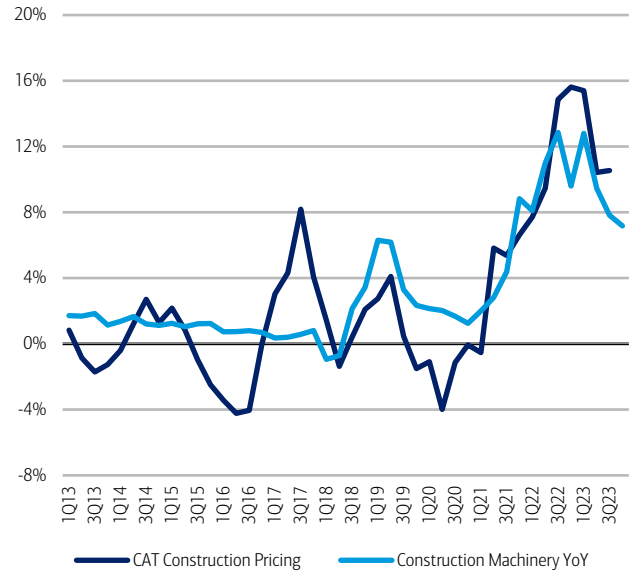


Source: Federal Reserve Economic data, CAT filings

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Exhibit 7: Construction Equipment Pricing vs CAT Construction YoY

Construction Pricing suggest CAT Pricing to continue to decelerate – yet still above cost inflation for now



Source: Federal Reserve Economic data, CAT filings

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Exhibit 8: Bearing Pricing YoY

Pricing decelerates yet remains in low single digit range



Source: Federal Reserve Economic data

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