

Machinery, E&C and Waste

Who is pricing above costs? Miners over farmers, construction slows, Rocks rock

Industry Overview

Who can price above costs in 2024?

In general, inflation data is cooling yet not as fast as expected. Pricing compounders in our coverage (aggregates, waste) continue to shine bright yet some equipment pricing continues to hold steady. Regarding Machinery equipment, price increases continue to moderate given tough comps and less outsized PIs, albeit some equipment areas are likely to price above costs better than others given de-stocking, end user demand, etc.

Mining stronger vs farmers

i) Mining remains high single digits in February – tracking relative to CAT (exhibit 3) vs, ii) Farm equipment pricing remains low single digit (+2%). (See Exhibit 1 below relative to Deere, largest farm equipment OEM). We maintain our preference for [miners over farmers](#) as de-stocking pressure likely to keep pressure on ag, especially in Q1.

Construction still in the mid-single digit range (for now)

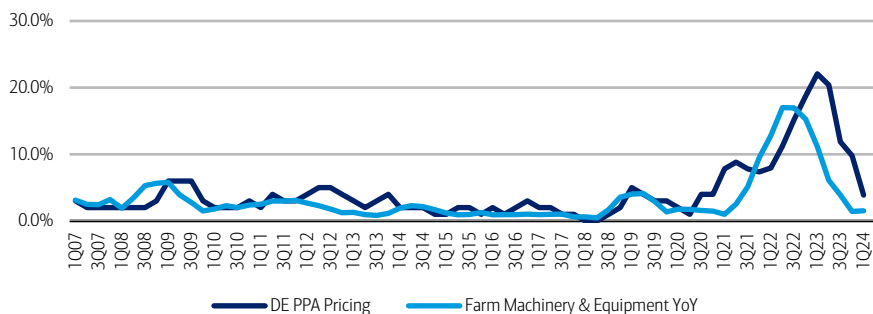
Construction equipment pricing in February remained in mid-single digit range (Exhibit 7 with CAT construction pricing). Pricing is still tracking above cost inflation, yet the YoY growth is starting to moderate more notably. BofA is hosting a contractor call on Tuesday to gauge underlying demand in the market for visibility into the back half of 2024.

Rocks still rock

Sand, gravel, and crushed stone PPI (proxy for aggregates) held steady at high single digit growth in February. Aggregates PPI continues to outpace headline PPI and CPI with a fairly wide margin (exhibit 5). The pricing in the industry is sustaining at a high level despite softer volume units in certain construction markets.

Exhibit 1: Farm Machinery Equipment Pricing YoY vs Deere PPA Pricing

Farm Machinery pricing suggests Deere pricing to decelerate



Source: Federal Reserve Economic data, CAT filings

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Equity
Americas
Machinery, E&C and Waste

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PPI = Producer Price Index

PIs = Price increases

OEM = original equipment manufacturer

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Exhibit 2: Mining Machinery Equipment pricing decelerates

Mining Equipment pricing decelerates – in high single digit range

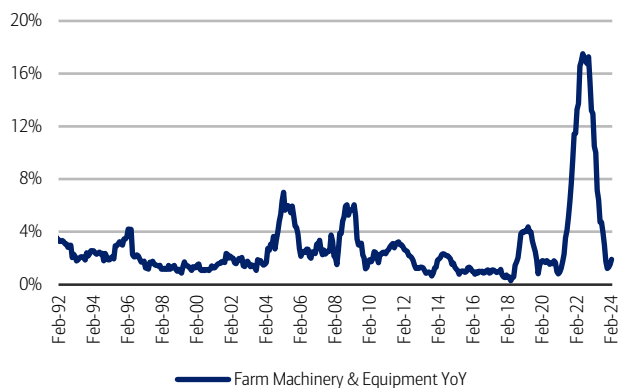


Source: Federal Reserve Economic data

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Exhibit 4: Farm Machinery Equipment Pricing YoY

Farm Machinery Equipment Pricing decelerates to low single digit (+2%)

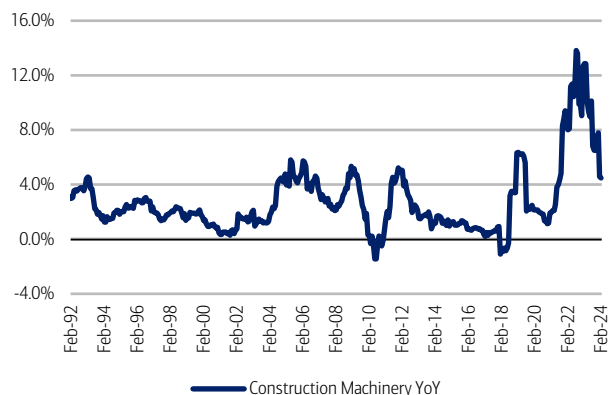


Source: Federal Reserve Economic data

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Exhibit 6: Construction Machinery Equipment pricing decelerates

Mining Equipment pricing decelerates – in high single digit range

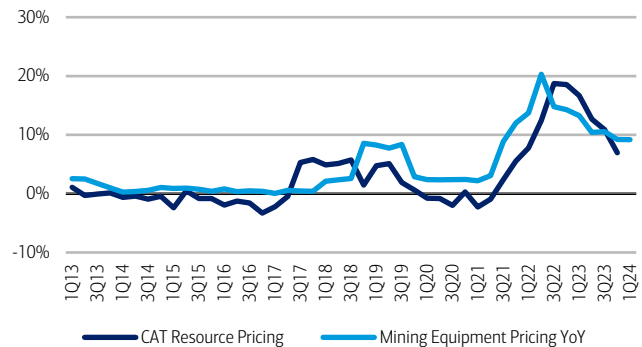


Source: Federal Reserve Economic data , CAT filings

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Exhibit 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

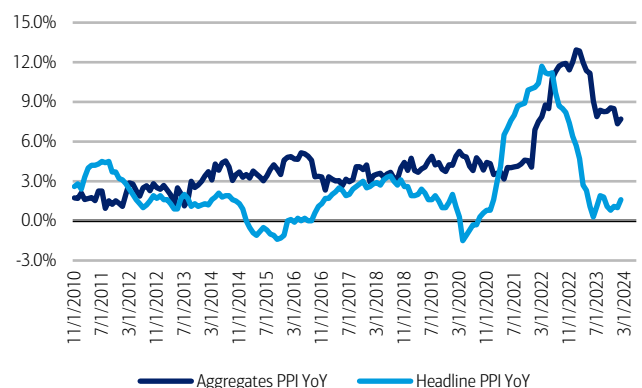


Source: Federal Reserve Economic data , CAT filings

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Exhibit 5: Aggregates (Sand, Gravel, Crushed Stone) PPI YoY vs Headline PPI YoY

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

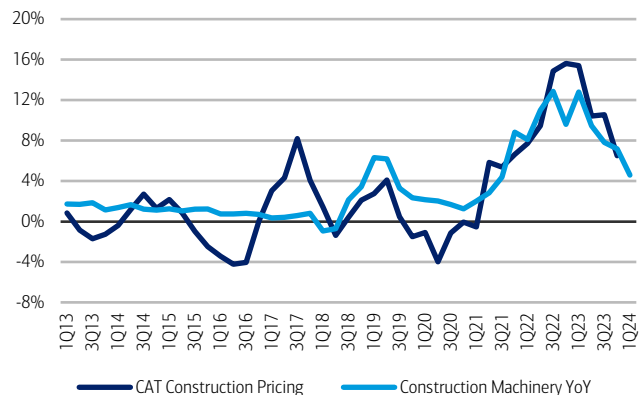


Source: Federal Reserve Economic data

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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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