

Industrials - China

Feb Cons Machine data: weak machine sales data partially affected by LNY

Industry Overview

Mfg/Infra. FAI remained solid at 9.4%/6.3% YoY in Jan-Feb

In Jan-Feb 2024, China FAI growth came in at 4.2% YoY (vs 4.1% in Dec) with Mfg. FAI picking up further to 9.4% (vs 8.2% in Dec). Infra (excl. power & heat) FAI dipped to 6.3% YoY in Jan/Feb from 6.8% YoY in Dec while remaining solid. Yet low sentiment still hovered around in property markets with property FAI tumbling by 9% YoY in Jan-Feb and total floor space new starts contracting by 30%. In Feb, new TSF missed consensus recording RMB1,558bn (vs RMB3,161bn in Feb 2023) while new MLT loans saw a YoY improvement reading RMB1,290bn compared to RMB1,110bn in Feb 2023, signaling mfg. enterprises turned more positive on future demand. However, Feb's mfg. PMI (49.1) delivered mixed signals as it was still under contraction zone despite the effect of LNY.

Both domestic and exports sales tumbled in Feb

In Feb 2024, **China excavator sales volume** came in at 12,608 units, -41%/+2% YoY/MoM, missing CME forecast. Domestic/exports sales slumped by 49%/32% YoY to 5,837/6,771 units in Feb. The sluggish domestic sales were likely due to the weak demand fueled by the Chinese Lunar New Year and a continued weak property FAI. In Feb, Komatsu excavator working hours tumbled to 29, -61% YoY, indicating little incentive to buy new machines. The new infra projects also contracted by 47% YoY to 8,100, which is equivalent to lifecycle capex of RMB5.4tn. Looking forward, we expect to see sales pickup after special bond issuance accelerates to bolster more infra activities, while we are cautious on the exports in 2024E due to the economy headwinds in key regions such as SEA and uncertain policies in US and Europe.

Muted demand for HDT during Chinese LNY

In Feb 2024, **China HDT sales volume** plunged by 23% YoY (vs +99% in Jan) to 60k units, due to the muted demand caused by LNY, increasing stock accumulation from the front-loaded sales in Jan, and declining exports. Yet LNG HDT sustained a strong performance with sales of 9,592 units, +49%/+51% YoY/MoM, according to CVWorld, thanks to the dipping LNG prices. CVWorld expects to see LNG HDT continues to deliver an outperforming result in 1H24 due to a low base last year and penetrates further to 30-40%. In Feb, the new infra projects contracted by 47% YoY to 8,100, indicating the pent-up demand with increasing number of idle trucks. China retail sales also dipped further to 5.5% YoY in Jan-Feb from 7.4% in Dec. Looking forward, we expect to see a sequential recovery in domestic HDT markets after more construction activities take place. Additionally, the *Action Plan of Promoting Large-Scale Equipment Renewal and Consumer Product Trade-in* published by the State Council on Mar 13 is expected to accelerate the replacing demand of HDT and hence the domestic HDT sales in 2024 (please see: [Industrials - China \(H\): Further policy supports for equipment renewal: positive for the industrials sector 13 March 2024](#)).

New energy HDT: In Feb, China new energy HDT sales volume were 2,025 units, +70%/-44% YoY/MoM.

18 March 2024

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Industrials

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LNY: Lunar New Year

PMI: purchasing managers index

MLT: mid & long term

HDT: Heavy Duty Truck

CV: Commercial Vehicle

LNG: Liquefied natural gas

k: thousand

FCV: fuel cell vehicle

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Timestamp: 18 March 2024 05:36AM EDT

Macro Demand Drivers

In Jan-Feb 2024, China FAI growth came in at 4.2% YoY (vs 4.1% in Dec) with **Mfg. FAI** picking up further to 9.4% (vs 8.2% in Dec). **Infra (excl. power & heat) FAI** dipped to 6.3% YoY in Jan/Feb from 6.8% YoY in Dec while remaining solid. Yet low sentiment still hovered around in property markets with property FAI tumbling by 9% YoY in Jan-Feb and total floor space new starts contracting by 30%. In Feb, new TSF missed consensus recording RMB1,558bn (vs RMB3,161bn in Feb 2023) while new MLT loans saw a YoY improvement reading RMB1,290bn compared to RMB1,110bn in Feb 2023, signaling mfg. enterprises turned more positive on future demand. However, Feb's mfg. PMI (49.1) delivered mixed signals as it was still under contraction zone despite the effect of Lunar New Year.

Exhibit 1: Infrastructure and Industrial related macro indicators

Mfg/Infra. FAI jumped by 9.4%/6.3% YoY in Jan-Feb.

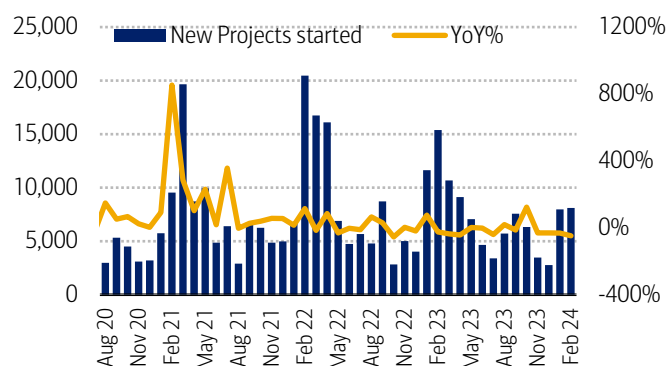
		Feb-24	Jan-24	Dec-23	Nov-23	Oct-23	Sep-23	Aug-23	Jul-23	Jun-23	May-23	Apr-23	Mar-23	Feb-23	Jan-23
FAI	RMB bn	2,542	2,542	4,222	4,141	4,437	4,799	6,844	1,549	5,430	4,133	4,020	5,371	2,679	2,679
YoY	%	4.2%	4.2%	4.1%	2.9%	1.2%	2.4%	2.5%	-2.5%	3.1%	1.6%	3.6%	4.7%	5.5%	5.5%
YoY (YTD)	%	4.2%	4.2%	3.0%	2.9%	2.9%	3.1%	3.2%	3.4%	3.8%	4.0%	4.7%	5.1%	5.5%	5.5%
FAI - infra (excl. power, heat, gas and water)	RMB bn	600	600	1,721	1,674	1,691	1,740	1,487	1,398	2,209	1,566	1,463	1,626	565	565
YoY	%	6.3%	6.3%	6.8%	5.0%	3.7%	5.0%	3.9%	4.6%	6.4%	4.9%	7.9%	8.7%	9.0%	9.0%
YoY (YTD)	%	6.3%	6.3%	5.9%	5.8%	5.9%	6.2%	6.4%	6.8%	7.2%	7.5%	8.5%	8.8%	9.0%	9.0%
FAI - Power, Heat, Gas and Water	RMB bn	166	166	555	504	540	543	461	323	655	439	363	421	132	132
YoY	%	25.3%	25.3%	12.7%	19.8%	25.0%	17.5%	32.7%	15.7%	25.7%	35.8%	28.7%	20.5%	25.4%	25.4%
YoY (YTD)	%	25.3%	25.3%	23.0%	24.4%	25.0%	25.0%	26.5%	25.4%	27.0%	27.6%	24.4%	22.3%	25.4%	25.4%
FAI - property	RMB bn	592	592	687	812	865	1,037	918	917	1,285	1,019	954	1,231	683	683
YoY	%	-9.0%	-9.0%	-24.0%	-18.1%	-16.7%	-18.7%	-19.1%	-17.8%	-20.6%	-21.5%	-16.2%	-7.2%	-5.7%	-5.7%
YoY (YTD)	%	-9.0%	-9.0%	-9.6%	-9.4%	-9.3%	-9.1%	-8.8%	-8.5%	-7.9%	-7.2%	-6.2%	-5.8%	-5.7%	-5.7%
FAI - manufacturing	RMB bn	849	849	2,967	2,821	2,712	3,068	2,465	2,396	3,423	2,489	2,026	2,271	776	776
YoY	%	9.4%	9.4%	8.2%	7.1%	6.2%	7.9%	7.1%	4.3%	6.0%	5.1%	5.3%	6.3%	8.1%	8.1%
YoY (YTD)	%	9.4%	9.4%	6.5%	6.3%	6.2%	6.2%	5.9%	5.7%	6.0%	6.0%	6.4%	7.0%	8.1%	8.1%
New TSF	RMB bn	1,558	6,502	1,933	2,455	1,844	4,133	3,128	536	4,227	1,554	1,224	5,386	3,161	5,995
MLT new corporate RMB loan	RMB bn	1,290	3,310	861	446	383	1,254	644	271	1,593	770	667	2,070	1,110	3,500
LGSB net financing	RMB mn	241,139*	53,800	92,100	185,200	218,400	362,000	600,700	196,300	403,800	275,500	264,800	529,900	335,700	491,200
Total floor space started	sqm mn	47	47	79	83	71	82	69	71	102	85	71	106	68	68
YoY	%	-29.7%	-29.7%	-11.6%	4.7%	-22.1%	-14.3%	-23.0%	-26.5%	-31.3%	-28.5%	-28.3%	-28.7%	-9.4%	-9.4%
Industrial enterprise profit	RMB bn			704	867	703	756	712	556	720	636	516	630	444	444
Value added of industrial enterprise	YoY%	7.0%	7.0%	6.8%	6.6%	4.6%	4.5%	4.5%	3.7%	4.4%	3.5%	5.6%	3.9%	2.4%	2.4%
PMI (Mfg)	%	49.1	49.2	49.0	49.4	49.5	50.2	49.7	49.3	49.0	48.8	49.2	51.9	52.6	50.1
PMI (Construction)	%	53.5	53.9	56.9	55.0	53.5	56.2	53.8	51.2	55.7	58.2	63.9	65.6	60.2	56.4

Source: *Feb's data collected by Wind, NBS, Wind, BoFA Global Research

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Exhibit 2: New projects started (in Unit)

New projects dipped by 47% YoY to 8,100 units in Feb.

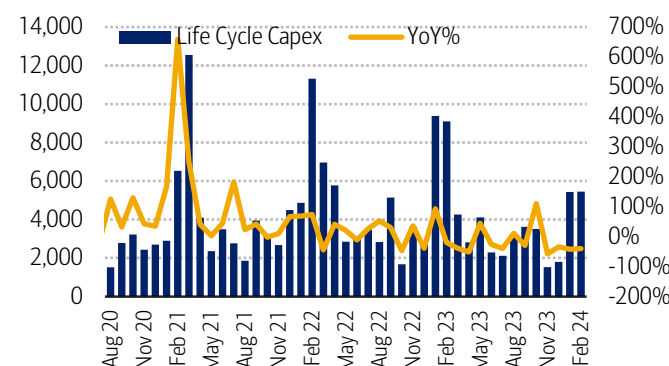


Source: Mysteel, BoFA Global Research

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Exhibit 3: New projects started – Lifecycle Capex (RMBbn)

It was equivalent to lifecycle Capex RMB5,447bn, -40% YoY



Source: Mysteel, BoFA Global Research

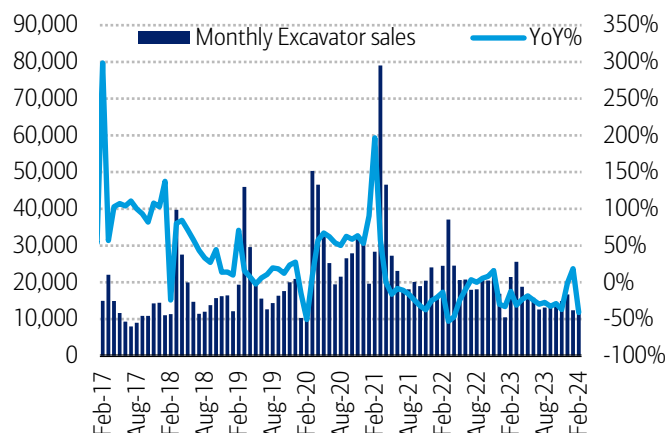
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Construction machinery

In Feb 2024, China excavator sales volume came in at 12,608 units, -41%/+2% YoY/MoM, missing CME forecast. Domestic/exports sales slumped by 49%/32% YoY to 5,837/6,771 units in Feb. The sluggish domestic sales were likely due to the weak demand fueled by the Chinese Lunar New Year and a continued weak property FAI. In Feb, Komatsu excavator working hours tumbled to 29, -61% YoY, indicating little incentive to buy new machines. The new infra projects also contracted by 47% YoY to 8,100, which is equivalent to lifecycle capex of RMB5.4tn. Looking forward, we expect to see sales pickup after special bond issuance accelerates to bolster infra activities, while we are cautious on the exports in 2024 due to the economy headwinds in key regions such as SEA and uncertain policies in US and Europe.

Exhibit 4: Monthly Excavator sales (Unit)

In Feb, excavator sales volume recorded 12,608 units, -41% YoY.

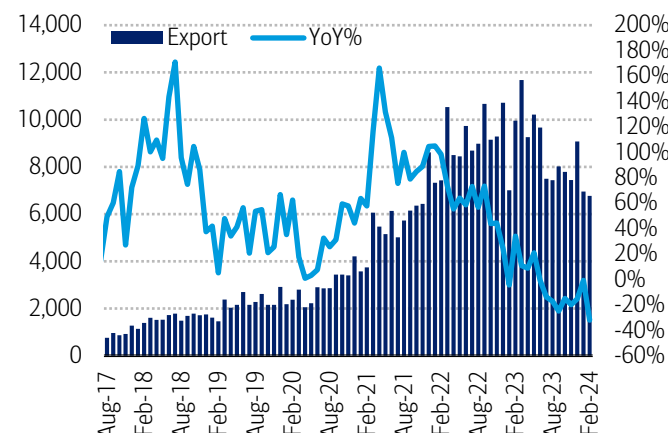


Source: CCMA, BofA Global Research

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Exhibit 5: Monthly Excavator exports (Unit)

Exports sales dipped to 9,073 units in Feb, -32% YoY.

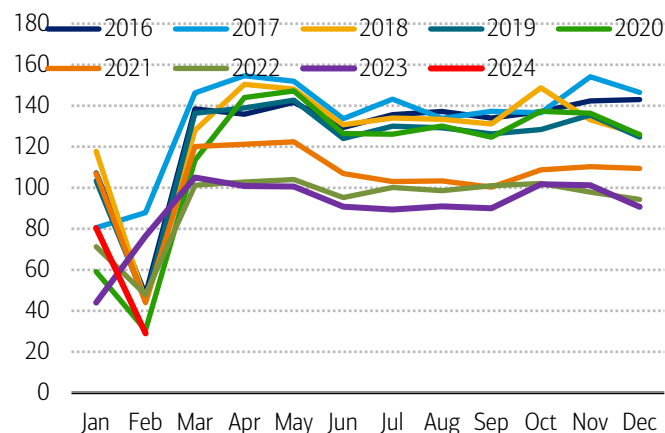


Source: CCMA, BofA Global Research

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Exhibit 6: Komatsu excavator working hours

Excavator working hours slumped to 29 in Feb, -61% YoY.

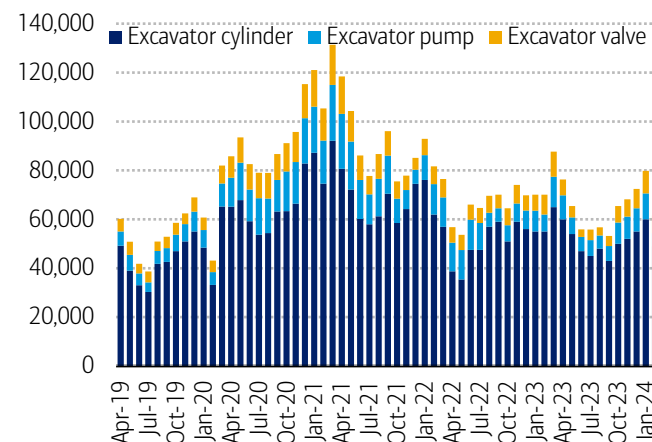


Source: Komatsu, BofA Global Research

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Exhibit 7: Hengli's monthly production (Unit)

Excavator cylinder prodn is expected to see a seasonal pickup in Mar.



Source: data for Mar is planned, Hengli, BofA Global Research

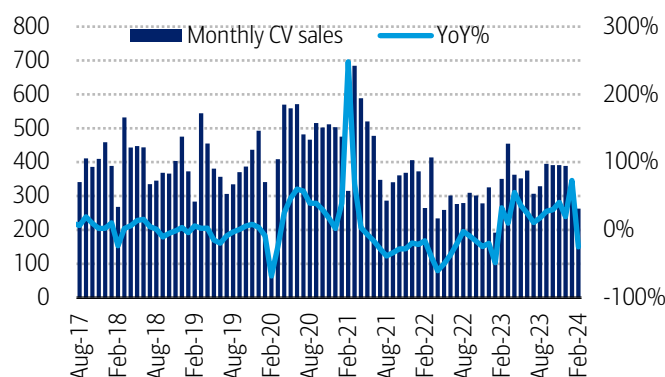
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Heavy Duty Truck

In Feb 2024, China HDT sales volume plunged by 23% YoY (vs +99% in Jan) to 60k units, due to the muted demand caused by Chinese Lunar New Year, increasing stock accumulation from the front-loaded sales in Jan, and declining exports. Yet LNG HDT sustained a strong performance with sales of 9,592 units, +49%/+51% YoY/MoM, according to CVWorld, thanks to the dipping LNG prices. CVWorld expects to see LNG HDT continues to deliver an outperforming result in 1H24 due to a low base last year and penetrates further to 30-40%. In Feb, the new infra projects contracted by 47% YoY to 8,100, indicating the pent-up demand with increasing number of idle trucks. China retail sales also dipped further to 5.5% YoY in Jan-Feb from 7.4% in Dec. Looking into players, Sinotruk sales were way ahead of other players in Feb and secured 34% of the markets. Followed by Shaanxi Auto/Dongfeng/FAW, the market share recorded 17%/15%/15 respectively in Feb. Looking forward, we expect to see a sequential recovery in domestic HDT markets after more construction activities take place. Additionally, *Action Plan of Promoting Large-Scale Equipment Renewal and Consumer Product Trade-in* published by the State Council on Mar 13 is expected to accelerate the replacing demand of HDT and hence the domestic HDT sales in 2024, in our view. (please see: [Industrials - China \(H\): Further policy supports for equipment renewal; positive for the industrials sector 13 March 2024](#))

Exhibit 8: Monthly Commercial Vehicle sales ('000 units)

CV sales recorded 263k units in Feb, -25% YoY.

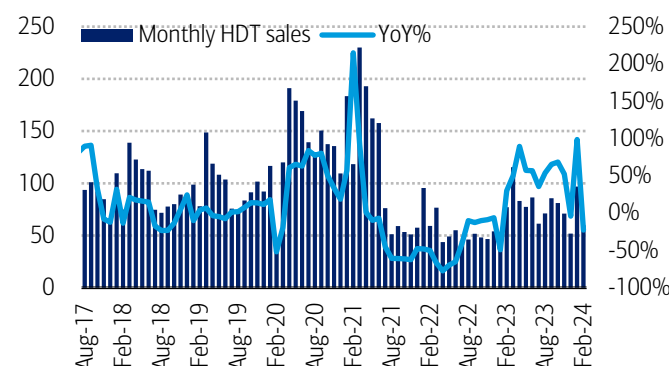


Source: CAAM, BofA Global Research

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Exhibit 9: Monthly Heavy Truck sales ('000 units)

HDT sales dipped by 23% YoY to 59,788 units in Feb.

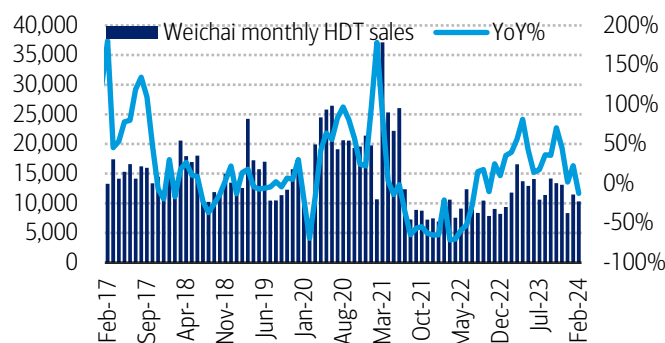


Source: CAAM, BofA Global Research

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Exhibit 10: Weichai Monthly HDT sales

Shaanxi Auto HDT sales read 10.3k sales units in Feb, -12% YoY.

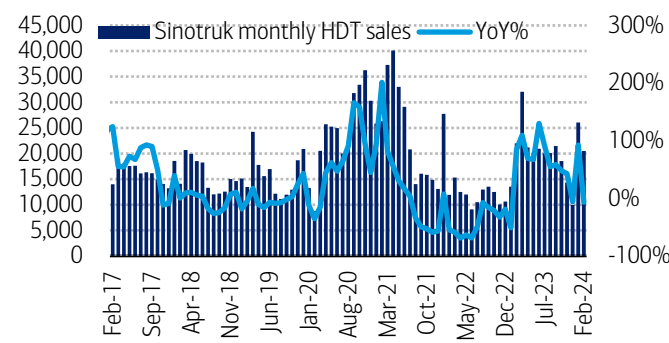


Source: CAAM, BofA Global Research

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Exhibit 11: Sinotruk Monthly HDT sales

Sinotruk HDT sales contracted by 7% YoY to 21k units in Feb.



Source: CAAM, BofA Global Research

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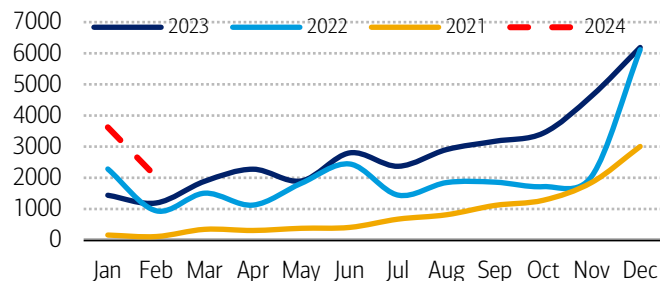
New Energy HDT

In Feb 2024, China new energy HDT sales volume came in at 2,025 units, +70%/-44% YoY/MoM. Sany sits in first place with 16.8% of the markets, followed by Sinotruk with

16.2% of the markets. By fuel types, Pure Electric is still the major type chosen by customers in Jan-Feb. In 2M24, XCMG HDT secured the largest markets with 17.2% share of the markets, followed by Sany/Sinotruk with 15.6%/13.0% of the markets. Sinotruk, as the Top 1 player in HDT markets, saw fast expansion in new energy HDT market.

Exhibit 12: New energy HDT sales (in units)

In Feb, China new energy HDT sales volume came in at 2,025 units, +70% YoY.

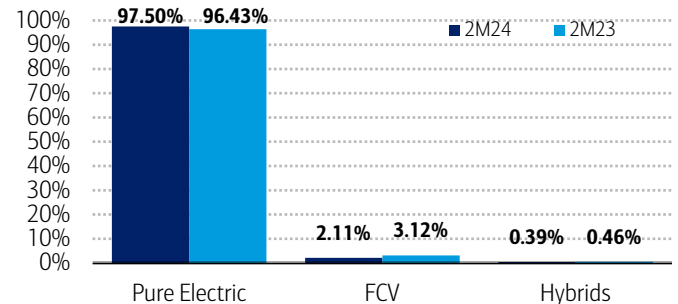


Source: CVWorld, BofA Global Research

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Exhibit 13: New energy HDT sales by fuel type

Pure Electric is still the major type chosen by customers.



Source: CVWorld, BofA Global Research

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Exhibit 14: New energy HDT sales by companies

XCMG HDT secured the first place with 17.2% of the markets in 2M24.

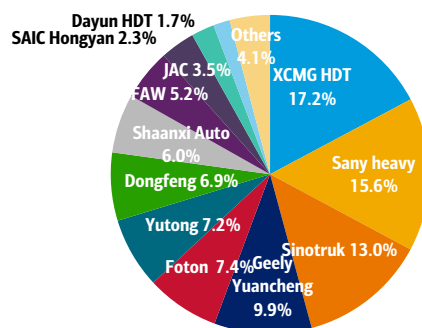
Company	Feb-24	2M24	YoY	2M24 market share
XCMG HDT	237	972	40%	17.2%
Sany heavy	340	882	98%	15.6%
Sinotruk	329	732	446%	13.0%
Geely Yuancheng	248	558	60%	9.9%
Foton	221	419	1032%	7.4%
Yutong	184	407	273%	7.2%
Dongfeng	131	390	24%	6.9%
Shaanxi Auto	127	338	635%	6.0%
FAW	82	293	380%	5.2%
JAC	10	199	4875%	3.5%
SAIC Hongyan	27	132	-11%	2.3%
Dayun HDT	5	95	56%	1.7%
Others	84	231		4.1%

Source: CVWorld, BofA Global Research

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Exhibit 15: New energy HDT market share in 2M24

XCMG HDT secured the largest market in 2M24.

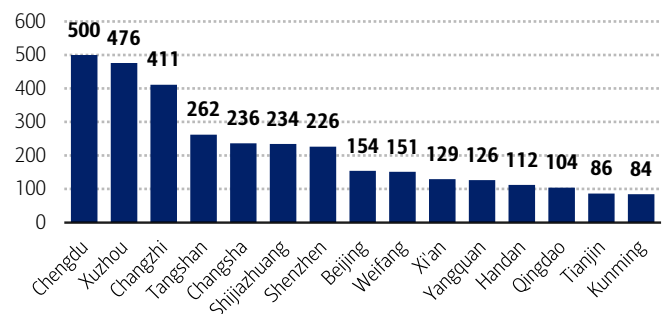


Source: CV World, BofA Global Research

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Exhibit 16: New energy HDT registrations in 2M24 – Top 15 cities

Chengdu jumped to the first place in new energy HDT registrations



Source: CV World, BofA Global Research

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R1} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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