

## Industrials - China

## Conference call takeaways: China industrial robot 2024 outlook

Industry Overview

**Channel destocking to last for at least 6 months**

We held a conference call today with Mr. Lu Zhangyuan, Research Director at Gaogong Industry Institute on the 2024 outlook of China's industrial robot (IR) market. China's IR sales only grew 4% YoY in 2023. Unlike the weakness in 2022 which was largely due to the supply disruption with rising component price and logistics costs, the sluggish sales growth in 2023 was mainly dragged by the weak end market. Overseas IR brands now see elevated channel stock at the distributor side, and Mr. Lu estimates the channel stock at current time to be around 60% of the level at the beginning of 2023. Mr. Lu expects it to take at least 6 months for the channel to return to normal level (<20% of the beginning-2023 level), depending on the market environment. On the other hand, domestic IR names generally have less channel stock given their more sales contribution from direct supply.

**End market: eye on 3C recovery**

Mr. Lu expects single digit IR shipment growth in 2024 due to the continued weakness of the end market. The recovery of the 3C market is likely to partially offset the deceleration of the battery/solar sector, which will support the demand for small-payload IR. Mr. Lu also sees opportunities from applications such as welding and polishing.

**Price pressure to persist in 2024-25**

Mr. Lu sees significant price decline of domestic IR names in 2023 due to the price war. The ASP of COBOT declined 15-20% YoY in 2023, and major IR names had even higher price discounts when supplying to strategic customers. Overseas IR brands also saw price pressure due to (1) the fierce competition from local brands; (2) their elevated stock level; and (3) the financial pressures of their customers. Mr. Lu expects the price war among domestic IR suppliers to persist in 2024-25.

**Domestic brands gaining market share**

Despite the weakness of the overall IR market, Mr. Lu expects leading domestic IR names to deliver 30-40% sales growth in 2024, thanks to their continued market share gain. Mr. Lu sees leading domestic IR companies gaining shares from foreign brands in the 3C and auto market in recent months.

**Humanoid robot: awaiting industrial application**

According to Mr. Lu, humanoid robots are still under the development stage, and the industrial application will be likely to occur after 2025, starting from the service industry and then to manufacturing and household service. Key bottlenecks of humanoid robot include: (1) the ability to design actuators with desired performance; (2) the ability to develop high-performance motion control algorithm; (3) the ability of sensing and interacting with external environment; and (4) the ability to train the humanoid robot in real industrial applications.

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**Fiona Liang >>**  
Research Analyst  
Merrill Lynch (Hong Kong)  
+852 3508 4390  
[fiona.liang3@bofa.com](mailto:fiona.liang3@bofa.com)

**Yikai Liu, CFA >>**  
Research Analyst  
Merrill Lynch (Hong Kong)  
+852 3508 4212  
[yikai.liu@bofa.com](mailto:yikai.liu@bofa.com)

**Ming Hsun Lee, CFA >>**  
Research Analyst  
Merrill Lynch (Hong Kong)  
+852 3508 5006  
[minghsun.lee@bofa.com](mailto:minghsun.lee@bofa.com)

3C: computer, communication and  
consumer electronics

COBOT: collaborative robot

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