

Industrials - China

Dec Cons Machine data: sales growth turned

Industry Overview

Infra. FAI picked up further to 6.8% YoY in December

In Dec 2023, according to NBS, China FAI saw continued improvement picking up to 4.1% YoY (vs 2.9% in Nov) with Infra (excl. power & heat) FAI climbing up to 6.8% YoY (vs 5.0% in Nov). Yet the property market remained sluggish with monthly FAI declining 24% YoY in Dec (vs -18.1% in Nov) with total floor space returning to the contraction zone reading of -11.6% YoY (vs +4.7% in Nov). New TSF recorded RMB1.9tn, helped by the government bond net issuance, which was supported by the issuance of additional RMB1tn treasury bonds announced earlier. Yet new corporate MLT loans were less compared with last Dec (RMB861bn vs RMB1,211bn in Dec 22), in line with less construction project starts in Dec (see Exhibit 2). Mfg. PMI continued remain in the contraction zone (49.0) while construction PMI edged up to 56.9 (55 in Nov 23). Whole year FAI growth came in at 3.0% YoY with mfg./infra (excl. power & heat) recording 6.5%/5.9% YoY.

Excavator domestic sales saw positive growth in Dec

In Dec 2023, **China excavator sales volume** came in at 16,698 units, -1%/+12% YoY/MoM, in line with CME forecast. Domestic sales read 7,625 units in Dec, +24% YoY, back to the expansion zone, while exports slumped by 15% YoY to 9,073 units. Domestic sales saw a solid YoY due to the low base caused by the NES IV transition since 1 Dec 2022. We expect to see a mild recovery of excavator sales in 2024E helped by the issuance of special treasury bonds. Exports continued to normalize due to a high base in 2H22 and a sales slowdown in the major overseas market such as SEA. We are cautious on exports in 2024E as we see headwinds in SEA, the US and Europe, dragged by the slowing local economy outlook and construction activities. In 2023, total excavator sales volume recorded 195,018 units, -25% YoY with domestic/exports reading 89,980/105,038 units, -41%/-4% YoY.

HDT delivered strong rebound in 2023

In Dec 2023, **China HDT sales volume** growth dipped by 4% YoY (vs +52% in Nov) to 52k units, largely on the weakened mfg. activities, declining sales of LNG trucks and exports slowdown. Looking into types, monthly HDT sales were mainly dragged by chassis with sales volume slipping to 11k units, -39%/-21% YoY/MoM, likely due to the sluggish property markets (property FAI -24% YoY in Dec) and infrastructure construction. Whole year HDT sales volume ended up with 911k units in 2023, +36% YoY, delivering a strong rebound. In 2023, LNG trucks were under the spotlight (+307% YoY according to CVWorld) due to the price gap compared to diesel trucks, leading a surge in sales. Sinotruk outperformed in 2023 with 26% share due to its strong exports. Looking into 2024, we expect HDT sales to continue to recover driven by recovering new demand from the mfg. sectors, government stimulus for construction activities, as well as the rising replacement demand, given the aging HDT fleet in operation.

New energy HDT: In 2023, China new energy HDT sales ended up with 34.2k units, +36% YoY. XCMG HDT replaced Sany in first place in 2023, with 15.7% market share.

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Cons.: construction

CV: Commercial Vehicle

FAI: Fixed asset investment

FCV: fuel cell vehicle

HDT: Heavy Duty Truck

Infra.: Infrastructure

k: thousand

LNG: Liquefied natural gas

Mfg.: Manufacturing

MLT: mid & long term

NES: National Emission Standard

PMI: purchasing managers index

SEA: Southeast Asia

TSF: Total Social Financing

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Timestamp: 17 January 2024 05:58AM EST

Macro Demand Drivers

In Dec 2023, China FAI saw continued improvement picking up to 4.1% YoY (vs 2.9% in Nov) with **Mfg./Infra (excl. power & heat) FAI** climbing up to 8.2%/6.8% YoY (vs 7.1%/5.0% in Nov). Yet the property market remained sluggish with monthly FAI declining by 24% YoY in Dec (vs -18.1% in Nov) with total floor space returning to the contraction zone reading -11.6% YoY (vs +4.7% in Nov). New TSF recorded RMB1.9tn, partially helped by the government bond net issuance, which was supported by the issuance of additional RMB1tn treasury bonds announced earlier. Yet new MLT loans were less compared with last Dec (RMB861bn vs RMB1,211bn in Dec 22), indicating mfg. enterprises were still not confident to increase capex amid soft demand, in line with PMI of 49.0 and weak infra project new starts. Whole year FAI growth came in at 3.0% YoY with mfg./infra (excl. power & heat) recording 6.5%/5.9% YoY.

Exhibit 1: Infrastructure and Industrial related macro indicators

Mfg/Infra. FAI picked up further to 8.2%/6.8% YoY in Dec

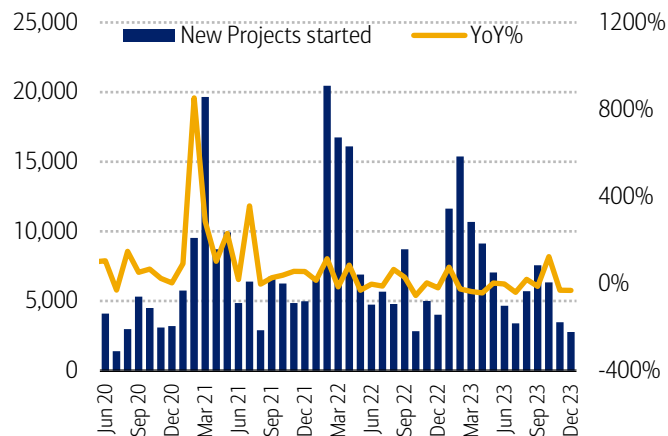
| | | Dec-23 | Nov-23 | Oct-23 | Sep-23 | Aug-23 | Jul-23 | Jun-23 | May-23 | Apr-23 | Mar-23 | Feb-23 | Jan-23 | Dec-22 |
|--|--------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|
| FAI | RMB bn | 4,222 | 4,141 | 4,437 | 4,799 | 6,844 | 1,549 | 5,430 | 4,133 | 4,020 | 5,371 | 2,679 | 2,679 | 5,210 |
| YoY | % | 4.1% | 2.9% | 1.2% | 2.4% | 2.5% | -2.5% | 3.1% | 1.6% | 3.6% | 4.7% | 5.5% | 5.5% | 3.1% |
| YoY (YTD) | % | 3.0% | 2.9% | 2.9% | 3.1% | 3.2% | 3.4% | 3.8% | 4.0% | 4.7% | 5.1% | 5.5% | 5.5% | 5.1% |
| FAI - infra (excl. power, heat, gas and water) | RMB bn | 1,721 | 1,674 | 1,691 | 1,740 | 1,487 | 1,398 | 2,209 | 1,566 | 1,463 | 1,626 | 565 | 565 | 1,611 |
| YoY | % | 6.8% | 5.0% | 3.7% | 5.0% | 3.9% | 4.6% | 6.4% | 4.9% | 7.9% | 8.7% | 9.0% | 9.0% | 14.3% |
| YoY (YTD) | % | 5.9% | 5.8% | 5.9% | 6.2% | 6.4% | 6.8% | 7.2% | 7.5% | 8.5% | 8.8% | 9.0% | 9.0% | 9.4% |
| FAI - Power, Heat, Gas and Water | RMB bn | 555 | 504 | 540 | 543 | 461 | 323 | 655 | 439 | 363 | 421 | 132 | 132 | 492 |
| YoY | % | 12.7% | 19.8% | 25.0% | 17.5% | 32.7% | 15.7% | 25.7% | 35.8% | 28.7% | 20.5% | 25.4% | 25.4% | -16.7% |
| YoY (YTD) | % | 23.0% | 24.4% | 25.0% | 25.0% | 26.5% | 25.4% | 27.0% | 27.6% | 24.4% | 22.3% | 25.4% | 25.4% | 19.3% |
| FAI - property | RMB bn | 687 | 812 | 865 | 1,037 | 918 | 917 | 1,285 | 1,019 | 954 | 1,231 | 683 | 683 | 903 |
| YoY | % | -24.0% | -18.1% | -16.7% | -18.7% | -19.1% | -17.8% | -20.6% | -21.5% | -16.2% | -7.2% | -5.7% | -5.7% | -12.2% |
| YoY (YTD) | % | -9.6% | -9.4% | -9.3% | -9.1% | -8.8% | -8.5% | -7.9% | -7.2% | -6.2% | -5.8% | -5.7% | -5.7% | -10.0% |
| FAI - manufacturing | RMB bn | 2,967 | 2,821 | 2,712 | 3,068 | 2,465 | 2,396 | 3,423 | 2,489 | 2,026 | 2,271 | 776 | 776 | 2,741 |
| YoY | % | 8.2% | 7.1% | 6.2% | 7.9% | 7.1% | 4.3% | 6.0% | 5.1% | 5.3% | 6.3% | 8.1% | 8.1% | 7.4% |
| YoY (YTD) | % | 6.5% | 6.3% | 6.2% | 6.2% | 5.9% | 5.7% | 6.0% | 6.0% | 6.4% | 7.0% | 8.1% | 8.1% | 9.1% |
| New TSF | RMB bn | 1,940 | 2,455 | 1,844 | 4,133 | 3,128 | 536 | 4,227 | 1,554 | 1,224 | 5,386 | 3,161 | 5,995 | 1,306 |
| MLT new corporate RMB loan | RMB bn | 861 | 446 | 383 | 1,254 | 644 | 271 | 1,593 | 770 | 667 | 2,070 | 1,110 | 3,500 | 1,211 |
| LGSB net financing | RMB mn | 87,546 | 174,424 | 218,437 | 384,571 | 600,700 | 196,300 | 403,800 | 275,500 | 264,800 | 529,900 | 335,700 | 491,200 | 9,800 |
| Total floor space started | sqm mn | 79 | 83 | 71 | 82 | 69 | 71 | 102 | 85 | 71 | 106 | 68 | 68 | 90 |
| YoY | % | -11.6% | 4.7% | -22.1% | -14.3% | -23.0% | -26.5% | -31.3% | -28.5% | -28.3% | -28.7% | -9.4% | -9.4% | -44.3% |
| Industrial enterprise profit | RMB bn | 867 | 703 | 756 | 712 | 556 | 720 | 636 | 516 | 630 | 444 | 444 | 444 | 686 |
| Value added of industrial enterprise | YoY% | 6.8% | 6.6% | 4.6% | 4.5% | 4.5% | 3.7% | 4.4% | 3.5% | 5.6% | 3.9% | 2.4% | 2.4% | 1.3% |
| PMI (Mfg) | % | 49.0 | 49.4 | 49.5 | 50.2 | 49.7 | 49.3 | 49.0 | 48.8 | 49.2 | 51.9 | 52.6 | 50.1 | 47.0 |
| PMI (Construction) | % | 56.9 | 55.0 | 53.5 | 56.2 | 53.8 | 51.2 | 55.7 | 58.2 | 63.9 | 65.6 | 60.2 | 56.4 | 54.4 |
| PPI | YoY% | -2.7% | -3.0% | -2.6% | -2.5% | -3.0% | -4.4% | -5.4% | -4.6% | -3.6% | -2.5% | -1.4% | -0.8% | -0.7% |

Source: *Dec'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 31% YoY to 2,775 units in Dec.

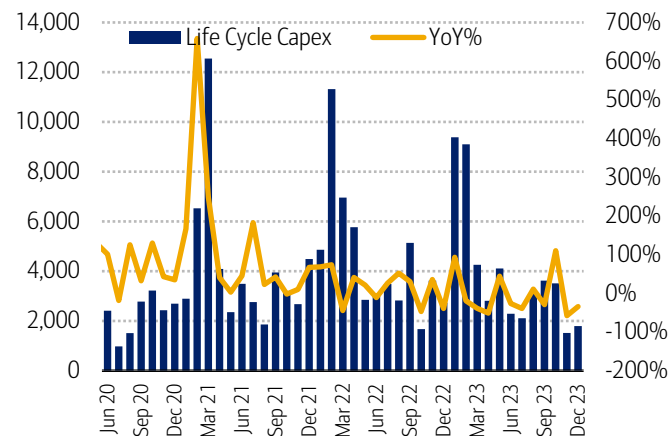


Source: Mysteel, BofA Global Research

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

It was equivalent to lifecycle Capex RMB1,795bn, -34% YoY



Source: Mysteel, BofA Global Research

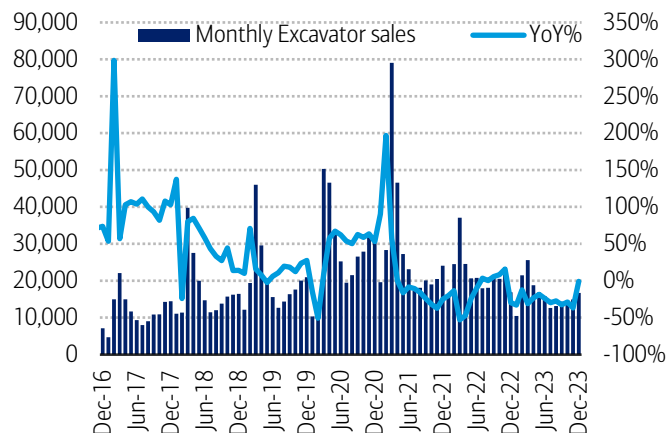
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Construction machinery

In Dec 2023, China excavator sales volume came in at 16,698 units, -1%/+12% YoY/MoM, in line with CME forecast. Domestic sales were 7,625 units in Dec, +24% YoY, expanding for the first time since Dec 22, while exports slumped by 15% YoY to 9,073 units. Domestic sales saw a solid YoY due to the low base caused by the NES IV transition since 1 Dec 2022. We expect to see a mild recovery of excavator sales in 2024E helped by the issuance of special treasury bonds. Export continued to normalize due to a high base in 2H22 and sales slowdown in major overseas market such as SEA. We are cautious on exports in 2024E as we see headwinds in SEA, the US and Europe, dragged by the slowing local economy outlook and construction activities. In 2023, total excavator sales volume recorded 195,018 units, -25% YoY with domestic/exports reading 89,980/105,038, -41%/-4% YoY.

Exhibit 4: Monthly Excavator sales (Unit)

In Dec, excavator sales volume recorded 16,698 units, -1% YoY.

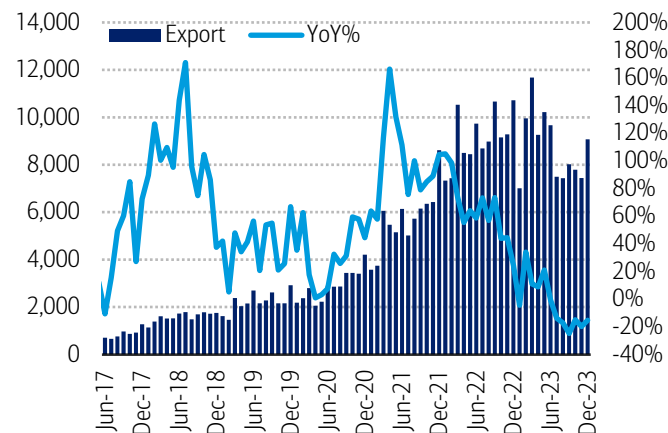


Source: CCMA, BofA Global Research

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Exhibit 5: Monthly Excavator exports (Unit)

Exports sales contracted by 15% YoY to 9,073 units in Dec.

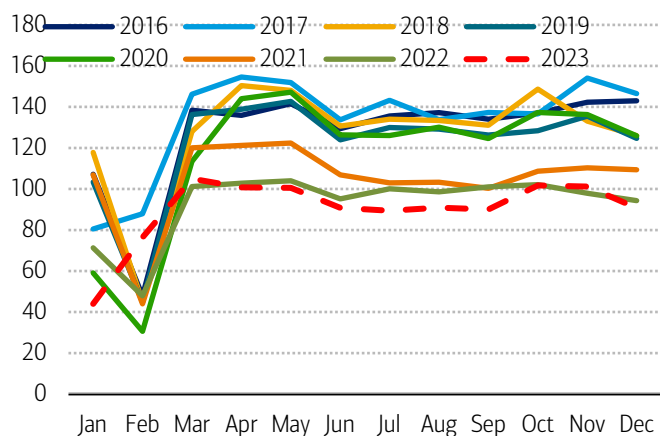


Source: CCMA, BofA Global Research

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Exhibit 6: Komatsu excavator working hours

Excavator working hours recorded 90.7 in Dec, -3.3% YoY.

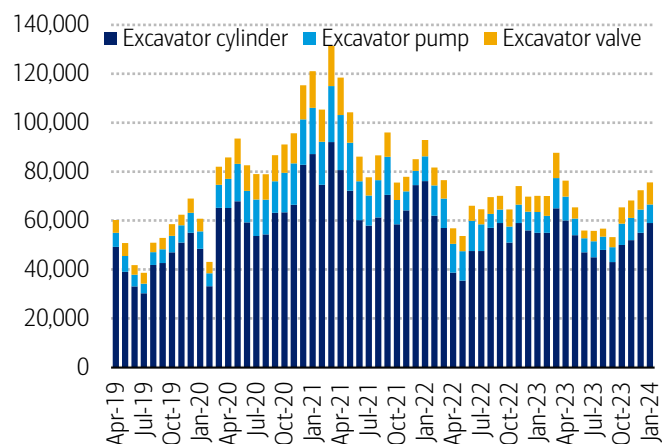


Source: Komatsu, BofA Global Research

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Exhibit 7: Hengli's monthly production (Unit)

Excavator cylinder production is expected to see a positive growth in Jan.



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

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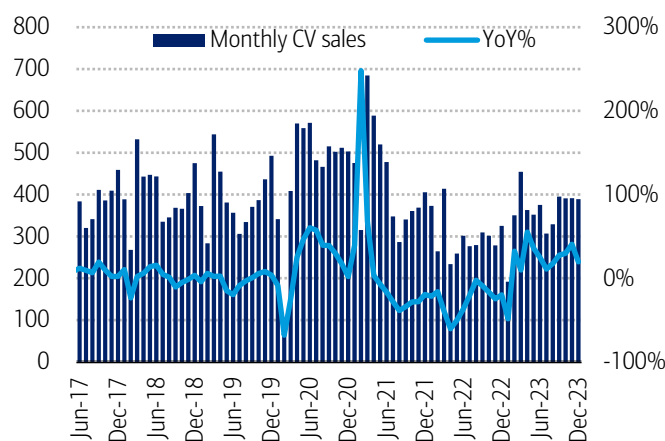
Heavy Duty Truck (HDT)

In Dec 2023, China HDT sales volume growth dipped by 4% YoY (vs +52% in Nov) to 52k units, largely due the weakened mfg. activities, declining sales of LNG trucks and exports slowdown. Looking into types, monthly HDT sales were mainly dragged by chassis with sales volume slipping to 11k units, -39%/-21% YoY/MoM, likely due to the sluggish property markets (property FAI -24% YoY in Dec) and infrastructure construction. In Dec, the infrastructure new project-starts contracted by 31%/20% YoY/MoM to 2,775 units with corresponding capex reading RMB1.8tn, -34%/+18% YoY/MoM. The whole year HDT sales volume ended up at 911k units in 2023, +36% YoY, delivering a strong rebound. In 2023, LNG trucks were under the spotlight (+307% YoY according to CVWorld) due to the price gap compared to diesel trucks, leading to a surge in sales. In Dec 2023, manufacturing activities remained weak with mfg. PMI sitting at 49.0, indicating low sentiment still hovering. Sinotruk outperformed in 2023, accounting for 26% of the total HDT sales due to its strong exports, followed by FAW/Shaanxi Auto/Dongfeng/Foton, with 20%/16.4%/15.7%/10% market share respectively in 2023.

Looking into 2024, we expect HDT sales to continue to recover driven by recovering new demand from the mfg. sectors, government stimulus for construction activities, as well as rising replacement demand, given the aging HDT fleet in operation.

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

CV sales recorded 389k units in Dec, +20% YoY.

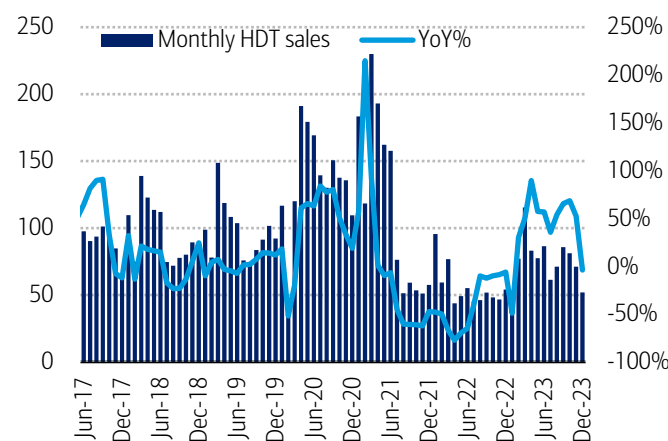


Source: CAAM, BofA Global Research

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

HDT sales growth plunged by 4% YoY in Dec, reading 52k units.

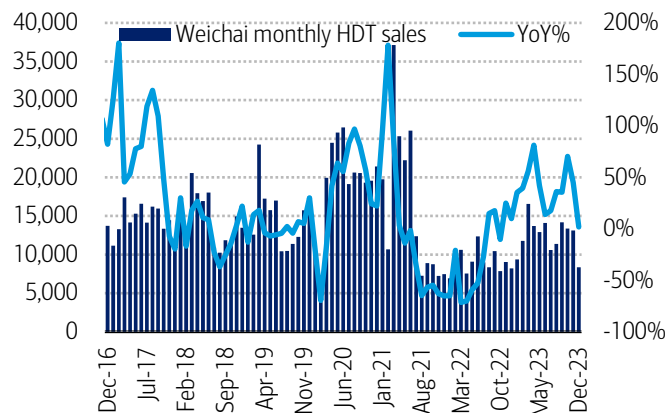


Source: CAAM, BofA Global Research

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Exhibit 10: Weichai Monthly HDT sales

Shaanxi Auto HDT sales read 8.4k sales units in Dec, +2% YoY.

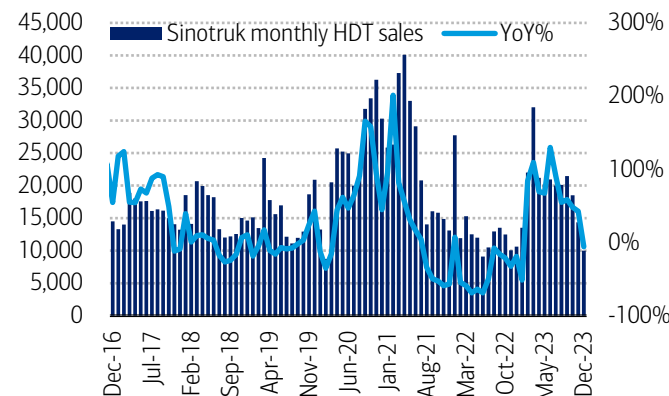


Source: CAAM, BofA Global Research

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Exhibit 11: Sinotruk Monthly HDT sales

Sinotruk HDT sales declined by 6% YoY to 10k units in Dec.



Source: CAAM, BofA Global Research

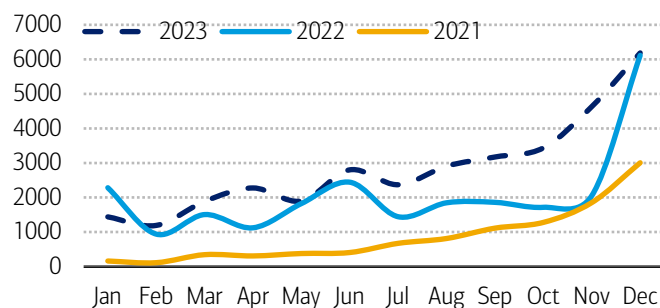
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New Energy HDT

In 2023, China new energy HDT sales volume totaled 34.2k units, +36% YoY with XCMG HDT as the yearly winner, accounting for 15.7% of total new energy HDT market. Closely followed by Sany, with a market share of 15.6% in 2023. Traditional HDT names also expanded in new energy HDT markets in 2023 with Dongfeng/Shaanxi Auto/FAW/Sinotruk accounting for 9.2%/7.0%/6.3%/5.8% of market share. By fuel types, market share of FCV/hybrids expanded to 9.8%/0.13% in 2023, +0.8/0.6ppts YoY. It is notable that Yuancheng Renewables came in first place in monthly sales for the first time in Dec 2023, taking 17% of new energy HDT market share.

Exhibit 12: New energy HDT sales (in units)

In 2023, China new energy HDT sales volume ended up with 34.2k units, +36% YoY.

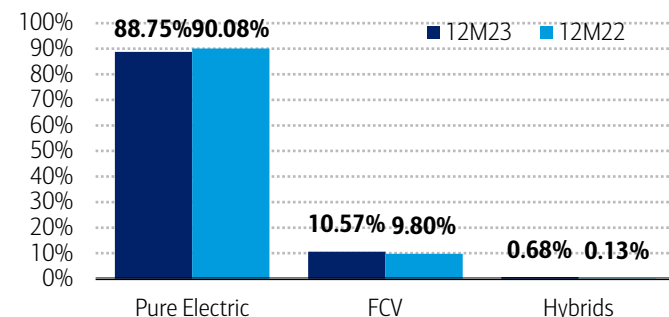


Source: CVWorld, BofA Global Research

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Exhibit 13: New energy HDT sales by fuel type

Share of FCV/hybrids expanded to 9.8%/0.13% in 2023, +0.8/0.6ppts YoY.



Source: CVWorld, BofA Global Research

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Exhibit 14: New energy HDT sales by companies

Yuancheng Renewables came in first place in monthly sales for the first time in Dec 2023.

| Company | Dec-23 | 2023 | YoY | 2023 market share |
|-----------------|--------|-------|------|-------------------|
| Geely Yuancheng | 1,049 | 3,616 | 9% | 10.6% |
| XCMG HDT | 790 | 5,373 | 91% | 15.7% |
| Sany heavy | 756 | 5,327 | 31% | 15.6% |
| Yutong | 702 | 3,438 | 47% | 10.1% |
| Dongfeng | 468 | 3,150 | 25% | 9.2% |
| Sinotruk | 449 | 1,981 | 251% | 5.8% |
| FAW | 398 | 2,158 | 148% | 6.3% |
| Shaanxi Auto | 290 | 2,377 | 363% | 7.0% |
| Foton | 96 | 1,237 | -6% | 3.6% |
| SAIC Hongyan | 72 | 889 | -23% | 2.6% |

Exhibit 14: New energy HDT sales by companies
Yuancheng Renewables came in first place in monthly sales for the first time in Dec 2023.

| Company | Dec-23 | 2023 | YoY | 2023 market share |
|---------------------------------------|--------|------|-----|-------------------|
| Source: CVWorld, BofA Global Research | | | | |
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Exhibit 15: New energy HDT market share in 2023
XCMG HDT was the largest name in 2023, closely followed by Sany.

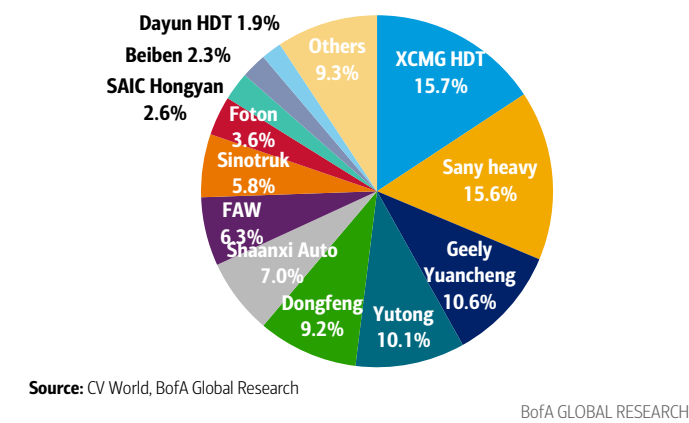
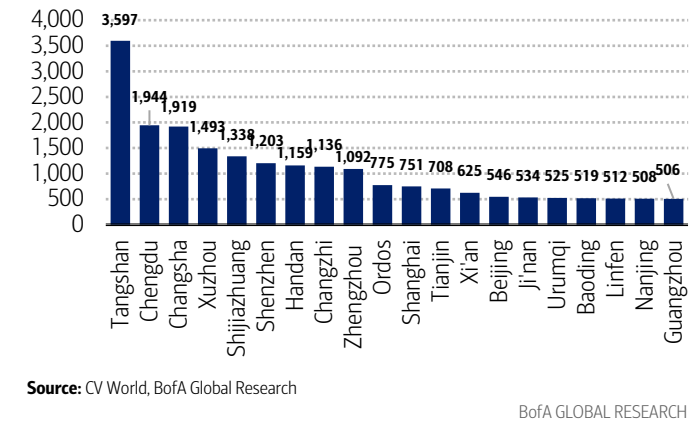


Exhibit 16: New energy HDT registrations in 2023 – Top 20 cities
Tangshan remained its Top 1 position in new energy HDT registrations



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