Construction Machinery in China

Industry Study with Forecasts for 2015 & 2020

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Demand in China to increase 6.2% per annum through 2015

Demand for construction machinery in China is expected to rise 6.2 percent per year to 387 billion yuan in 2015, supported by continuing gains in construction spending, especially in infrastructure development. Growth in construction activity will be driven by continuing industrialization and increasing personal and business income levels. However, gains will decelerate from the torrid pace of the 2005-2010 period as a result of a moderating outlook for the economy in China as a whole. This will impact total construction expenditures, which are expected to grow at a slower pace through the forecast period, limiting stronger market gains for construction machinery.

Excavators and cranes to remain largest machinery product segment

Excavators and cranes are the largest construction machinery product segment due to their widespread use in both building and nonbuilding construction. The better versatility and flexibility of excavators will also ensure their widespread use in all types of construction applications in China. Loaders, the second largest product type, will see healthy demand increases, benefiting from their functional versatility. Mixers and related equipment will be one of the fastest growing product segments, benefiting from greater use in numerous types of infrastructure projects that are intensive users of cement. Parts and attachments will see the fastest growth due to favorable government policies under the Twelfth Five-Year Plan.

This Plan aims to encourage domestic producers to upgrade their products and improve innovation in product development so as to maintain sustainable growth. These technological improvements, coupled with pricing advantages due to relatively low production costs, will spur growth in shipments of all types of construction machinery by Chinese firms. As a result of such improvements, China will erase its trade deficit in the industry and become a net exporter.

Northwest to lead gains

The size, growth, and composition of construction machinery demand in the six regions of China vary considerably due to regional differences in economic, social, and cultural conditions. In all regions, gains will decelerate from 2000-2010 rates as a result of moderating growth in the Chinese economy. Due to its large share of the nation’s population and economic activity, the Central-East will remain the largest regional market for construction machinery. Although small, the Northwest is expected to be the fastest growing regional market, primarily benefiting from the central government’s Great Western Development program.
MARKETS

Nonbuilding Market

The nonbuilding construction market represented the largest segment in the construction machinery market in China, followed closely by nonresidential building. Its leading position is a result of the government’s focus on expanding and modernizing the country’s physical infrastructure in order to accommodate the needs of China’s rapidly growing industrial sector and ensure continued economic development. In addition, the high level of construction machinery usage in new construction and improvements and repairs contributes to the advances.

Sales of construction machinery for use in the nonbuilding construction segment will grow 6.5 percent annually to ¥144.2 billion in 2015. Government spending initiatives remain the dominant drivers of nonbuilding construction activity, due to new infrastructure and improvement and repair activities, including the extension of the “7918 Network” national highway system. However, gains will be constrained by the slowdown in the Chinese economy.

Demand for excavators and cranes will continue to have the largest share in the nonbuilding construction machinery market, due to the large amount of earth that needs to be dug and moved during the construction of roads and dams, and in other infrastructure projects. Moreover, rollers and related equipment, which find few applications in building markets, are vital pieces of equipment for road construction and accounted for eight percent of total nonbuilding machinery demand in 2010.

Demand by Application

Nonbuilding construction machinery sales in China are driven by the vast scale of new infrastructure construction projects, which also benefit from nonbuilding improvement and repair activities. Nonbuilding construction demand accounts for 83 percent of the machinery demand in the nonbuilding construction segment in 2010 and is forecasted to grow 6.5 percent annually to ¥144.2 billion in 2015.
DHI DCW Group Company Limited
169 Bayi Road, Xigang District
Dalian, Liaoning 116013
China
86-411-8685-2212
http://www.dhidcw.com

Annual Sales: ¥19.3 billion [US$2.9 billion] (estimated)
Employment: 6,000 (2010, as reported by company)
Key Products: tunnel boring machines & bulk material handling equipment

DHI DCW Group is a state-owned enterprise that manufactures a wide range of heavy equipment for the metallurgical, mining, power, transportation, chemical, construction, grain storage and various other markets via numerous Chinese subsidiaries.

The Company is involved in the Chinese construction machinery industry through the manufacture of tunnel boring machines and bulk material handling equipment, which are suitable for use in construction applications. Tunnel boring machines from DHI DCW feature a mechanical system, an electrical system, a hydraulic system and automatic controls. These machines are utilized typically in such public works projects in China as water utility and subterranean transit projects. The Company also makes double-shielded tunnel boring machines. Among DHI DCW’s bulk material handling equipment are spreaders, which are suitable for use in construction and outdoor mine applications.

Production operations are conducted by the Company at four facilities in Dalian, Liaoning. These sites collectively occupy over 1.5

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TABLE III-1
CONSTRUCTION MACHINERY SUPPLY & DEMAND IN CHINA BY TYPE
(billion yuan)

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“Demand for construction excavators and cranes in China is expected to increase 6.2 percent annually to ¥232 billion in 2015, matching the forecast growth rate of the construction machinery industry as a whole. Gains will be supported by their wide range of applications in all types of construction in digging, lifting, moving and positioning of materials. In addition, ...”

--Section III, pg. 75
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