

China Construction Equipment Market - Strategic Assessment & Forecast 2024-2029

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Report description:

The China construction equipment market is expected to grow at a CAGR of 2.05% from 2023 to 2029.

Increased Investment in Public Infrastructure Projects

- China is committed to enhancing its urban metro networks by expanding Chengdu's metro system. The fifth phase of construction is presently in progress, aiming to introduce ten new lines covering a total distance of 199.8 kilometers. Upon its scheduled completion by the end of 2024, the Chengdu metro network will exceed 700 kilometers in length. Moreover, the project emphasizes technological innovation, intending to implement AI for efficient operation and maintenance by 2025.
- The South-North Water Diversion Project seeks to channel water from the water-abundant southern regions of China to the dry northern areas. It is one of the world's most extensive water redistribution initiatives, with an anticipated completion date of around 2050. Once finished, it will annually transfer 44.8 billion cubic meters of water. This project will increase the demand for wheeled loaders and excavators in the China construction equipment market.
- The Chongqing-Kunming High-Speed Rail Project aims to link prominent urban centers with the picturesque Three Gorges region. With a projected cost of billions of dollars, the initiative promises substantial enhancements in regional transportation efficiency.
- The Sichuan-Tibet Railway, spanning 1,629 kilometers, aims to link Chengdu and Lhasa by 2030, reducing travel time from 48 to 13 hours. Despite its engineering challenges, including traversing rugged terrain, sections are already operational, with completion expected by 2030.
- The key projects in the Lin-gang Special Area, located in Shanghai, unveiled 33 initiatives with a total investment of approximately USD 2.05 billion in Jan 2024. The main venue was Shanghai's Jin'gang Zhi'Ao Park, with two satellite venues for the Lin-gang Sci-Tech 2.0 project and the Y4 Road construction project. The key projects are projected to support the growth of China construction equipment market during the projected period.
- China aims to undertake significant road development activities in 2025, specifically emphasizing rural regions. The objective is to establish a more accessible and extensive network of rural roads, facilitating improved transportation within these areas and enhancing connectivity with urban hubs. Additionally, plans include reconstructing 30,000 kilometers of rural roads and refurbishing 3,000 hazardous rural road bridges by the same year.

- Sinopec, a major Chinese oil company, is selling its subsidiary, which is constructing two of the world's largest green hydrogen projects and a 400km hydrogen pipeline to Beijing. Sinopec had announced plans to produce over two million tonnes of green hydrogen annually by 2025.

KEY HIGHLIGHTS

- Material handling equipment accounted for the largest market share of the construction equipment market 2023. Forklifts and telehandlers in the material handling segment had the largest share in 2023. Rising investment in housing, port expansion, and warehousing projects is expected to drive the demand for forklifts in the China construction equipment market.

- In 2023, domestic demand for construction machinery declined due to ongoing real estate investment declines and slower infrastructure investment growth. Similarly, exports faced challenges from reduced overseas demand, channel destocking, and a high comparison base, leading to a further decline in export growth.

- In 2024, leading companies in the excavator industry, like SANY, Caterpillar, and Komatsu, are analyzing the projected expansion of the market. These vendors are optimistic about stabilizing domestic excavator sales, supported by policies like the Chinese government's significant national debt allocations.

- In 2023, electric forklifts showed significant growth, with sales increasing by 18.05% compared to the previous year. They now make up 67.87% of total sales among other types of forklifts. This surge reflects a trend toward environmentally friendly and sustainable solutions in the China construction equipment market. Electric forklifts offer economic benefits and enhance work efficiency, making them a promising choice for widespread adoption.

- In March 2024, the State Council released the "Action Plan for Promoting Large-Scale Equipment Renewal and Consumer Goods Old-for-New" to drive equipment renewal and transformation across key industries. The plan also includes initiatives for implementing energy-saving and carbon-reduction transformations across various sectors.

- In 2023, forklift sales dominated the China construction equipment market, followed by elevating working platforms and excavators in the domestic market. Based on their proportion, Crane sales represented less than 8% of total construction machinery sales.

SEGMENTATION ANALYSIS

Segmentation by Type

- Earthmoving Equipment
 - o Excavator
 - o Backhoe Loaders
 - o Wheeled Loaders
 - o Other Earthmoving Equipment (Other loaders, Bulldozers, Trenchers)
- Road Construction Equipment
 - o Road Rollers
 - o Asphalt Pavers
- Material Handling Equipment
 - o Crane
 - o Forklift & Telescopic Handlers
 - o Aerial Platforms (Articulated Boom Lifts, Telescopic Boom lifts, Scissor lifts)
- Other Construction Equipment
 - o Dumper
 - o Tipper
 - o Concrete Mixer
 - o Concrete Pump Truck

- Segmentation by End Users
 - o□ Construction
 - o□ Mining
 - o□ Manufacturing
 - o□ Others (Power Generation, Utilities Municipal Corporations, Oil & Gas, Cargo Handling, Power Generation Plants, Waste Management)

MARKET TRENDS & DRIVERS

China's Investment in Green Hydrogen

- The nation aims to boost its low-carbon future, with 57 projects underway. As China pushes towards carbon neutrality, hydrogen-powered transportation, such as trucks and ships, is undergoing trials.
- Green hydrogen's share in China's hydrogen output is set to rise to 15% by 2030, with production costs expected to drop. The nation's advancements in hydrogen technology also include successful pipeline experiments and national construction guidelines, aiming for a robust hydrogen energy industry by 2025.

Development of Waste-To-Energy Projects to Boost the Sales of Wheeled Loaders in the China Construction Equipment Market

- Between 1996 and 2020, urban domestic waste production in China surged from 108 million tons to 235 million tons, showing an annual compound growth rate of 3.28%. Consequently, waste incineration has emerged as the predominant method of waste disposal in China. In response to this trend, the waste incineration rate rose from 14.52% to 62.29% from 2006 to 2020.

High Demand for Excavators to Boost the China Construction Equipment Market

- The popularity of excavators in China stems from extensive infrastructure projects supported by the significant investment under the 14th Five-Year Plan announced in 2021. These projects, including superhighways, railways, airports, and more, require large-scale soil excavation, for which excavators are indispensable.
- Additionally, demand from the mining market is growing as China leads in coal, gold, and copper production and increases quotas for rare earth minerals due to electric vehicle battery demands.
- In February 2024, XCMG successfully launched the XE360N LNG excavator, China's largest-tonnage excavator. This achievement significantly advances XCMG's use of green and energy-saving technology in excavators.

The 14th Five-Year Plan of the People's Republic of China Will Boost the Transport Infrastructure Across the Region.

- The development of China's transportation system during this period is vital for achieving long-term goals, including establishing an advanced and globally competitive transport system by 2035 and an internationally highly competitive one by 2050.
- Additionally, targets include reducing carbon dioxide emissions before 2030 and achieving carbon neutrality by 2060. Until 2025, the emphasis for green transportation lies in expanding infrastructure, particularly in less developed areas, advancing transport services technology, and promoting environmentally friendly transport options.

China's Investments in the Renewable Energy Sector to Boost the Demand for Construction

- China's renewable investment has reduced its reliance on fossil fuels and positioned it as a dominant player in clean energy technology. However, challenges remain, including addressing coal consumption, improving grid infrastructure, and meeting emission reduction targets. Despite these obstacles, China's commitment to renewables presents a significant opportunity for global climate action.

- The Chinese government projects that it will spend USD 150 billion per year on renewable energy until 2030, primarily focusing on solar and wind industries. Subsequently, annual investments are expected to increase to USD 250 billion by 2050, positioning China as the foremost investor in renewable energy globally.

Booming Copper Mining to Boost the Sales of Earthmoving Equipment in the China Construction Equipment Market

- The global copper market faces impending deficits due to mine closures and reduced production forecasts. Zijin Mining has emerged as a significant player, achieving a milestone by surpassing one million tonnes of mined copper production in 2023 amid market uncertainties.

- Through a focus on innovation and technology, Zijin Mining Group Co., Limited achieved an impressive compound annual growth rate of 23 percent in mined copper over the past decade. With investments in international projects, including partnerships to expand production capacity, Zijin Mining Group Co., Limited aims to solidify its position as a major contributor to the global and China's copper market.

INDUSTRY RESTRAINTS

China's Real Estate Crises Will Hamper the Demand for Residential Units

- In October 2023, China experienced its sharpest decline in home prices in eight years, which could dampen buyer confidence and increase pressure on the government to rejuvenate the property market. According to the National Bureau of Statistics, new home prices across 70 cities, excluding state-subsidized housing, fell by 0.38% compared to September, when they had dropped by 0.3%.

- To ease the situation, China has relaxed restrictions on purchasing multiple homes to revive its sluggish property market, marking the first relaxation in 13 years. As announced by the housing authority, families who have already reached the current ownership limits can now buy an additional home beyond Beijing's fifth ring road. This move follows the collapse of China's real estate firms due to overwhelming debts and a sharp decline in new home sales.

Skilled Labour Shortage in the Country to Hamper the Pace of Construction Equipment Manufacturing in the China Construction Equipment Market

- According to official data, China faces a severe shortage of skilled technicians, comprising only 26% of the workforce. This scarcity challenges China's ambition of cultivating a high-quality workforce and bolstering its advanced manufacturing sector, hindering the development of the world's second-largest economy.

- The Ministry of Human Resources and Social Security predicts that by 2025, nearly 30 million manufacturing positions will remain vacant, accounting for almost half of all jobs in the sector. In 2027, the construction industry is anticipated to confront a deficit of 40,000 workers, a fourfold increase from the current figure of 10,000. Last year, the sector employed roughly 400,000 individuals, nearly half of them aged over 50.

High Debt Issue in the Chinese Economy Is Anticipated to Decrease Investments in the Construction Industry

- China's debt issues stem from several factors, primarily in the real estate sector, where overbuilding and falling prices have left many developers struggling to repay loans from both domestic and overseas investors.

- Compounding this problem is the extensive borrowing by local governments through less supervised financial institutions, often to cover daily expenses and infrastructure projects. The overlap between real estate and government debt is evident, as dwindling revenue from land sales has led to heavy borrowing by local financing institutions to acquire land at inflated prices.

VENDOR LANDSCAPE

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- Caterpillar, Komatsu, SANY, XCMG, Volvo CE, Zoomlion, and Hitachi Construction Machinery are leaders in the China construction equipment market. These companies have strong market share and offer diverse sets of equipment.
- Sunward, AICHI, HELI, Terex, Skyjack, DINGLI, LiuGong, Shantui, Lonking, JLG, SDLG, Yongmao, SAKAI, XGMA, and HANGCHA are niche players in the China construction equipment market. These companies offer low product diversification and have a strong presence in China's local market.
- Kubota, Liebherr, John Deere, DEVELON, Bobcat, Kobelco, Takeuchi, JCB, and HD Hyundai Construction Equipment are emerging in the China construction equipment market. These companies are introducing new technologically advanced products to challenge the market share of the country's market leaders.
- Sumitomo, Yanmar, AUSA, Wacker Neuson, Manitou Group, Ammann, Manitowoc, Kato Works, Toyota Material Handling, Haulotte, Tadano, and Bomag have low product diversification in the China construction equipment market. These companies are lagging in adopting new technologies.

Key Vendors

- Caterpillar
- Komatsu
- Xuzhou Construction Machinery Group (XCMG)
- SANY
- Zoomlion Heavy Industry Science & Technology Co., Ltd.
- Volvo Construction Equipment
- Hyundai Construction Equipment
- Liebherr
- John Deere
- DEVELON
- LiuGong
- SUNWARD
- Kobelco
- Takeuchi Manufacturing Co., Ltd.
- Hyundai Construction Equipment

Other Prominent Vendors

- JCB
- Kubota
- Yanmar
- Terex Corporation
- Manitou
- Tadano
- KATO WORKS CO., LTD.
- Bobcat
- Haulotte
- Toyota Material Handling
- Ammann
- AUSA
- Wacker Neuson
- The Manitowoc Company, Inc.

- Bomag
- Aichi Corporation
- SUMITOMO CONSTRUCTION MACHINERY CO., LTD.
- Shantui Construction Machinery Co., Ltd.
- Hangcha Group
- HELI
- SAKAI HEAVY INDUSTRIES, LTD.
- Shandong Lingong Construction Machinery (SDLG),
- Lonking
- Xiamen XGMA Machinery Co., Ltd.
- Yongmao
- JLG
- Skyjack
- Dingli

Distributor Profiles

- Mantrac Group
- China Engineers Limited
- Anhui Dachen Engineering Machinery Co., Ltd.
- Beijing Komatsu Engineering Machinery Co., Ltd
- Henan Wotong Construction Equipment Co Ltd
- Shin Le Te Co., Ltd.
- Anhui Qiaoyuan Construction Machinery Co., LTD.

KEY QUESTIONS ANSWERED:

- 1.□How big is the China construction equipment market?
- 2.□What are the trends in the China construction equipment market?
- 3.□What is the growth rate of the China construction equipment market?
- 4.□Who are the key players in the China construction equipment market?
- 5.□Which are the major distributor companies in the China construction equipment market?

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