

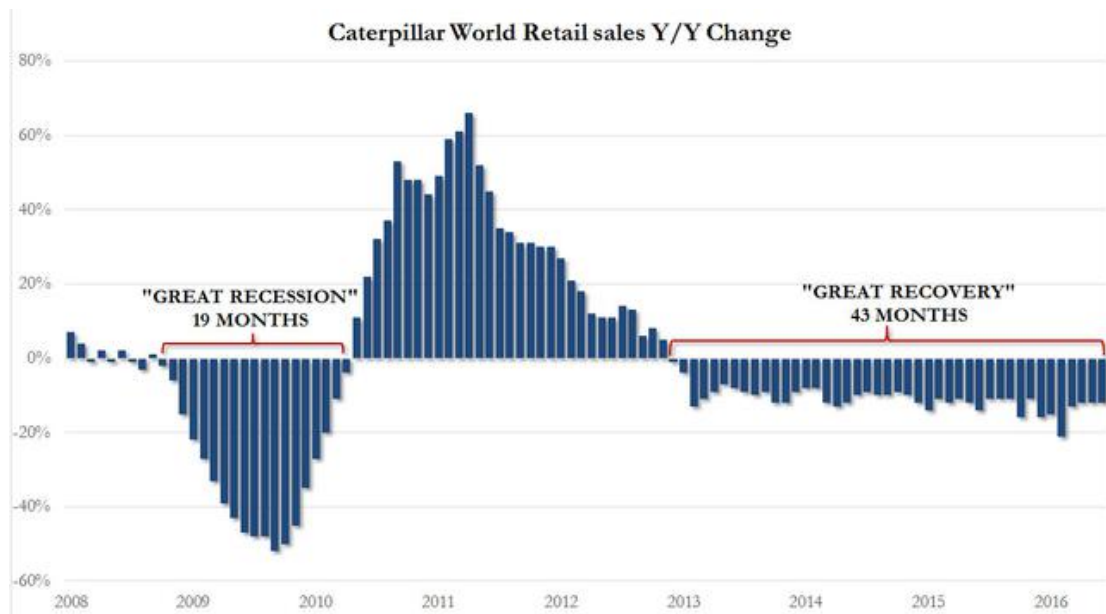
## Construction Machinery Monthly Newsletter – July,2016

—Edited by Autochinery

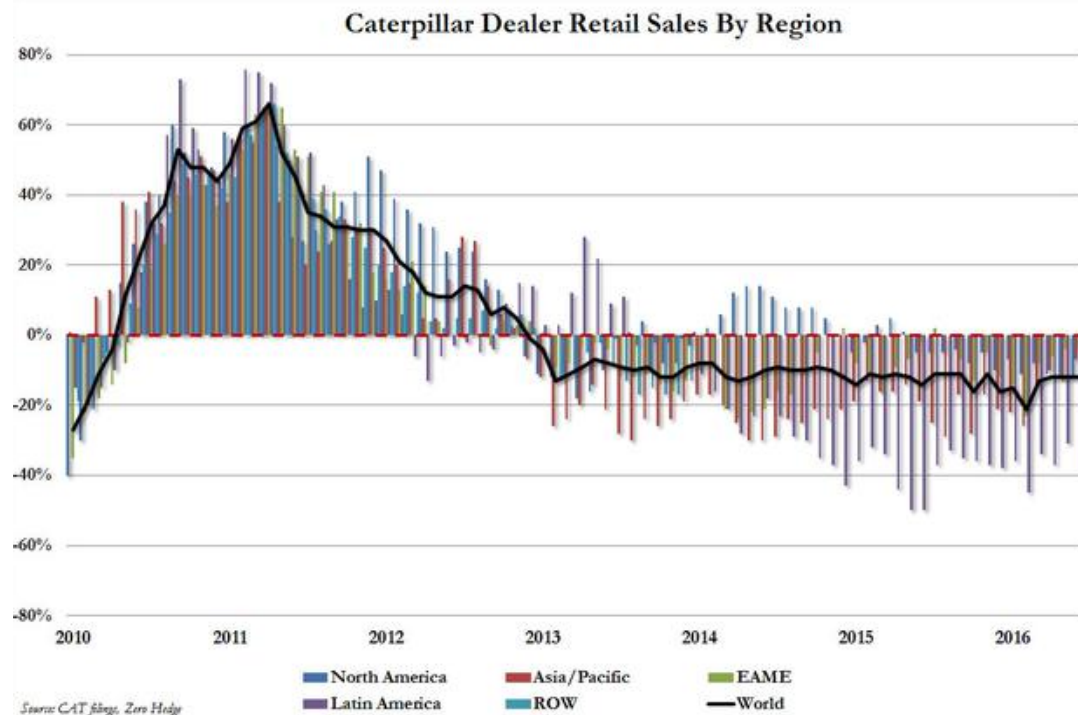
### Monthly Focus

#### Caterpillar “the yellow giant” in distress VS powerful competition on the rise

World’s number one construction machinery manufacturer for mines and construction industry Caterpillar says the company’s second quarter sales revenue declined by 12% compared to last year. The need for heavy construction machinery remains low in all the key markets due to the deceleration in activities in construction and mine industries. Caterpillar world retail sales have been a minus value for 43 months, which is unprecedented, because even in the great recession the decline in sales lasted for only 19 months.



According to the statistics provided by Caterpillar, the worst performance comes from their Latin American market, which slumped by 38%, North America come in second with a decline by 12%, Asian-pacific 7%, and 4% in Europe, Middle East and Africa.



For Caterpillar, the market is full of “negative energy”. For example, Britain exiting from EU adds to the uncertainty of global economy. The periodic adjustment on commodity prices is still ongoing. To top it all, the powerful attack from Caterpillar’s competition are in full swing. In the past decades, in spite of the competition from Komatsu, Volvo and John Deere, Caterpillar remained in the lead, and scored a record high sales revenue of 65.8 billion US dollars in 2012.

However, the market is capricious, ever since 2012, Caterpillar started to say goodbye to the good old days with its continuously decreasing sales revenue. The company market value plummeted by 40% compared to 2012. The trigger behind this change is the entry of a group of Chinese construction manufactures into the global market, including XCMG, SANY and Zoomlion, etc.

With more and more Chinese manufacturers entering the global market, their competition with Caterpillar and the cohort of other leading brands becomes more and more severe. Lower prices is their most effective attack strategy to grab the market share. According to a research by the UBS (United Bank of Switzerland) , the overseas market share of Chinese construction machinery manufacturers is likely to rise to 15%, which will be twice the current share. It is also worth of mentioning that in Caterpillar’s golden times in 2012, the share percentage of Chinese manufacturers was less than 2%.

The biggest advantage of Chinese manufactures in the competition is their relatively lower cost. This makes their price 15% to 40% lower than the high-end brand equipment with the same configurations in western market. Although the Chinese brands are still at a

disadvantage in the high-end machinery market, they are taking more and more market share from Caterpillar in the arena of basic products, which eventually hurts the giant's profitability. To the distress of the long-standing leader of construction machinery manufacturers, this new power is gradually penetrating into the more profitable high end market with their success in the basic product market.

On the one hand stands the leader of the industry Caterpillar, on the other is the rising Chinese manufacturers, who will win this war for the global market share, we shall wait and see.

### Other News

1. The 2016 Yellow Table Top 50 published recently by the prestigious magazine International Construction ranks XCMG NO. nine globally among construction equipment manufacturers. XCMG becomes the only Chinese manufacturer that enters top 10.

## 2016 Yellow Table

2016	2015/ Change	Company	Country	Construction Equipment sales (US\$ million)	Share of total
1	1	 <b>Caterpillar</b>	US	24,119	18.1%
2	2	 <b>Komatsu</b>	JP	14,032	10.5%
3	5	 2 <b>Terex</b>	US	6,543	4.9%
4	3	 1 <b>Hitachi Construction Machinery</b>	JP	6,507	4.9%
5	6	 1 <b>Liebherr</b>	DE	6,243	4.7%
6	4	 2 <b>Volvo Construction Equipment</b>	SE	6,049	4.5%
7	7	 <b>John Deere</b>	US	5,963	4.5%
8	10	 2 <b>Doosan Infracore</b>	KR	4,756	3.6%
9	8	 1 <b>XCMG</b>	CN	4,591	3.4%
10	12	 2 <b>JCB</b>	UK	3,517	2.6%

Under the impact of the decline in commodity prices, the deceleration in the development of the new economy and the downturn in the world's economy, the total output value of the top 50 construction equipment manufacturers declined by 16.2% compared to last year, which was a record low since 2009. According to the report, Chinese manufacturers suffer the worst decline among the listed brands. This, to a great degree, could be explained by the deceleration of China's economic growth. Among the Chinese brands, XCMG, being ranked 9<sup>th</sup>, is the only manufacturer that keeps its place in top 10.

2. XCMG Group becomes the official member of ESTA (European Crane and Special Transport Association) and ERA (European Rental Association), and the only Chinese enterprise in the two associations. ESTA and ERA include members like Caterpillar, Hitachi, JCB, Liebherr, Volvo, XCMG, etc. Admission of XCMG to ESTA and ERA indicates that Chinese branded construction equipment have earned recognition by the high-end European market. It also means XCMG has more and more say and influence in the high-end market.
3. Up until the first half of 2016, XCMG construction equipment have been exported to 176 countries and regions. Since the first step outside of China to the world in 1992, XCMG has been the leader in the internationalization of China's construction machinery industry for 24 consecutive years. Among the 224 countries and regions in the world, XCMG products are spread among 176 of them, which is 79% in terms of number of countries. In terms of land size, it covers 90% of the vase of earth (with the exception of some very isolated islands). Be it the Arctic in extreme cold, with minus 40 degrees or the sweltering equator with 50 degrees, XCMG equipment are working steadily to construct a better world.
4. Recently, the XCMG wheel loader ZL50GN is brought in the center of spotlight with its debut in the European high-end market – the Netherlands. A successive order will be placed soon. XCMG is making steady progress on its way to become the world's prestigious brand, jumping head-on into the competition with Caterpillar and Komatsu.

