



Flash Note: Infrastructure Sector

快讯：基建行业

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Jan.-Sep. 2020 China FAI Increased 0.8% YoY, 0.1 pts Lower than Expectation

2020年1-9月全国固定资产投资同比增0.8%，较预期低0.1个百分点

- According to the National Bureau of Statistics of China, Jan.-Sep. 2020 China FAI amounted to RMB43,653.0 billion, up 0.8% YoY, 0.1 pts lower than expectation. For September only, growth was 8.7%, down 0.6 pts compared with growth in August, six consecutive positive months of growth since the start of the year.
- There are several points worth discussing. First, Jan.-Sep. private FAI growth rate was -1.5%, narrowing 1.3 pts from the drop of 2.8% in Jan.-Aug. 2020, in line with expectation. Although supporting policies of private investment in fixed assets have been put in place at an accelerating pace, private FAI growth rate only recovered slowly. We expect private FAI growth rate for full-year 2020 to be 2%. **Second, Jan.-Sep. overall infrastructure investment growth of 0.2% was up 0.5 pts compared with the -0.3% growth rate in Jan.-Aug. 2020, the growth rate turned positive for the first time in 2020, in line with expectation. Irrigation, environment, and public facilities management investment growth rate was up 0.8 pts from -2.9% in Jan.-Aug. 2020 to -2.1% in Jan.-Sep., while transport, storage and post investment growth rate was up 0.4 pts to 2.1% compared with the 1.7% growth rate in Jan.-Aug. 2020, the growth rate turning to positive for 3 consecutive months.** Third, Jan.-Sep. property development investment growth rate was up 1.0 pts to 5.6% compared with that in Jan.-Aug. 2020, 0.4 pts higher than expectation. We think that property development investment environment in 2020 will remain comparatively relaxed compared to that in 2019, and the investment growth rate is expected to reach 7%.
- According to statistics from the People's Bank of China, the increase in social financing in September reached RMB3.48 trillion, which was significantly higher than the market's expectation of RMB3.15 trillion and was RMB0.963 trillion more than the same period last year. Although the increase was slightly lower than that in August, it still reflected that monetary policy continues to exert effects, and support for the real economy increased, while the pace of economic recovery will continue to accelerate. In addition, according to statistics from the China Construction Machinery Association, the 25 excavator manufacturers included in the statistics in September sold a total of 26,034 excavators of various types, an increase of 64.8% YoY and an increase of 24.3% MoM, of which the YoY growth rate has exceeded 50% for six consecutive months, reflecting that significant demand for infrastructure engineering equipment continues to be strong. At present, the government is actively supporting both monetary and fiscal policies, building a strong foundation for infrastructure investment growth. Assuming that 2H20 infrastructure investment will accelerate to 5%-10% YoY growth, 2020 full-year infrastructure investment YoY growth will achieve 1.7%-4.5%. Given the government's continued strong support, we think that the full-year figure has a good chance to reach the upper limit of our estimation. Therefore, we expect full-year infrastructure investment growth to reach 4% in 2020, higher than the 3.7% in 2019. Considering the current low valuation for the sector, we believe that most of the risks have been substantially priced in. **Reiterate "Outperform" rating for the sector, maintain "Buy" rating for China Railway Construction (01186 HK), China Railway Group (00390 HK) and China State Construction International (03311 HK), and "Accumulate" rating for China Railway Signal & Communication (03969 HK).**
- 据中国国家统计局的数据显示，2020年1-9月全国固定资产投资额为436,530亿元(人民币,下同)，同比增0.8%，较预期低0.1个百分点。单以9月计增速为8.7%，较8月增速下跌0.6个百分点，今年以来连续6个月单月增速为正。
- 我们认为数据有几点值得讨论。首先，1-9月民间固定资产投资增速为-1.5%，较2020年1-8月的2.8%跌幅收窄1.3个百分点，符合预期。即使政府支持民间投资的政策正在加快落实，但民间固定资产投资增速仅缓慢复苏，我们预计2020年全年民间投资增速仅为2%；第二，1-9月整体基建投资0.2%的增速与2020年1-8月的-0.3%增速相比提高0.5个百分点，增速为2020年以来首度转正，符合预期，其中1-9月水利、环境和公共设施管理业投资增速从2020年1-8月的-2.9%提高0.8个百分点至-2.1%，交通运输、仓储和邮政业投资增速则从2020年1-8月的1.7%提高0.4个百分点至2.1%，连续三个月增速为正。第三，1-9月房

地产开发投资增速与 2020 年 1-8 月增速比较提高 1.0 个百分点至 5.6%，较预期高 0.4 个百分点。我们认为 2020 年房地产开发或延续 2019 年较宽松的投资环境，预计投资增速可达 7%。

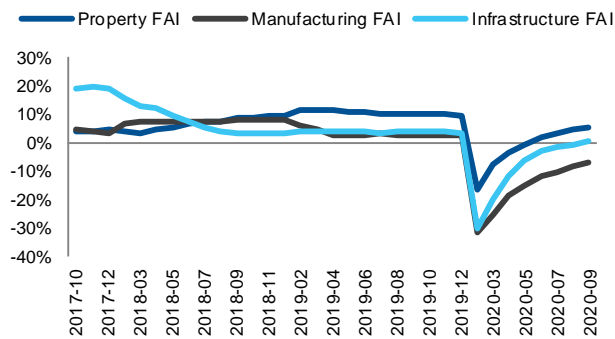
- 根据中国人民银行数据，9 月社会融资规模增量达 3.48 万亿元，大幅高于市场预期的 3.15 万亿元，比上年同期多 0.963 万亿元。虽然增量较 8 月略有减少，但仍反映货币政策持续发力，对实体经济扶持力度加大，经济复苏步伐将持续加速。此外，根据中国工程机械工业协会数据，9 月纳入统计的 25 家挖掘机制造企业共销售各类挖掘机 26,034 台，同比增 64.8%，环比增 24.3%，其中同比增速已连续 6 个月超 50%，反映对于基建工程装备的需求持续旺盛。现时政府在货币及财政政策上的积极支持，对基建投资增速构成重要托底，假设下半年基建投资增速加快至 5%-10%，对应 2020 年全年基建投资增速则为 1.7%-4.5%。由于政府支持力度持续加大，我们认为全年基建投资增速更有可能接近预测的上限。因此，我们预计 2020 年基建投资增速可达 4%，高于 2019 年的 3.7%。考虑到现时行业低迷的估值已反映大部分的风险，重申行业“跑赢大市”评级，维持中国铁建(01186 HK)、中国中铁(00390 HK)及中国建筑国际(03311 HK)的“买入”评级，以及中国通号(03969 HK)的“收集”评级。

Table 1: Summary of FAI Statistics, Jan.-Sep. 2020

Categories	Investment (RMB '000 million)	YoY Growth
China FAI	436,530	0.8%
Primary Industry	11,653	14.5%
Secondary Industry	125,084	-3.4%
Tertiary Industry	299,793	2.3%
Property Development		5.6%
Infrastructure Investment		0.2%
Transport, Storage and Post		2.1%
Irrigation, Environment & Public Facilities Management		-2.1%

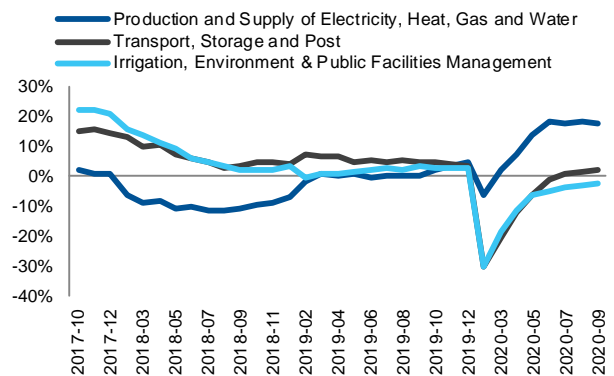
Source: National Bureau of Statistics of China.

Figure 1: YoY Growth of Infrastructure, Manufacturing and Property Development FAI



Source: National Bureau of Statistics of China.

Figure 2: YoY Growth of Subsectors in Infrastructure FAI



Source: National Bureau of Statistics of China.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

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