



Flash Note: Infrastructure Sector

快讯：基建行业

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Jan.-Oct. 2018 Urban FAI Grew 5.7% YoY, 0.2 ppts Higher than Expectation

2018年1-10月城镇固定资产投资同比增5.7%，较预期高0.2个百分点

- According to the National Bureau of Statistics of China, Jan.-Oct. 2018 Urban FAI amounted to RMB54,756.7 billion, up 5.7% YoY, 0.2 ppts higher than expectation, and was 0.3 ppts higher than the growth rate of 5.4% in Jan.-Sep. 2018. For October only, growth rate was 8.0%, up 2 ppts MoM.
- There are several points worth discussing. First, Jan.-Oct. private FAI growth rate was 8.8%, up 0.1 ppts compared with that in Jan.-Sep. 2018, and remained at above 8%. With the anticipation of accelerated investment in high-end manufacturing and commencement of supporting policies of private capital in investment in 2018, we raise the estimate of private FAI growth to at least above 8% in 2018. **Second, overall infrastructure investment growth of 3.7% was 0.4 ppt higher than the 3.3% growth rate in Jan.-Sep. 2018, in which irrigation and water conservancy management investment decline narrowed from -4.7% in Jan.-Sep. to -4.1% in Jan.-Oct., while railway investment growth decline narrowed from -10.5% in Jan.-Sep. to -7.0% in Jan.-Oct.** Third, Jan.-Oct. property development investment growth rate was down 0.2 ppts to 9.7% compared with that in Jan.-Sep. 2018, still higher than expected. With continuous strengthening of property market regulation, property development investment growth remained on a gradual decline trend; we expect that property development investment growth rate might still be on a downtrend, but full-year growth is very likely to exceed expectation. Due to this, we maintain our 2018 property development investment growth rate at 7%.
- In October, infrastructure investment growth rate rebounded significantly as expected. The government has repeatedly proposed to accelerate the implementation of infrastructure investment for "short-board" in recent months, and to motivate private investment through tax cuts and the establishment of private enterprise bond financing support tools. We think that the acceleration of infrastructure investment growth can continue in November and December, while the trough period of infrastructure investment growth can be preliminarily confirmed to be in August and September. Even so, the growth rate of social financing and M2 growth in October was lower than expected, reflecting the foundation of overall recovery was still unsettled. We expect the growth rate of infrastructure investment in 2018 to rebound to 4.5%. According to the 13th Five-Year Plan, the shortfall areas behind construction schedule include railways, civil aviation airports, and water conservancy and environmental management facilities. We think that if the government wants to recover the investment progress, these areas will be given priority. **Reiterate "Outperform" rating for the sector, maintain "Buy" ratings for China Railway Construction (01186 HK), China Railway Group (00390 HK) and China State Construction International (03311 HK), and "Accumulate" rating for China Communications Construction Company (01800 HK).**
- 据中国国家统计局的数字显示，2018年1-10月城镇固定资产投资额为54,756.7亿元(人民币,下同),同比增5.7%，较预期高0.2个百分点，亦较2018年1-9月5.4%的增速高0.3个百分点。单以10月计增速为8.0%，环比提高2个百分点。
- 我们认为数据有几点值得讨论。首先，1-10月民间固定资产投资增速为8.8%，较2018年1-9月增速提高0.1个百分点，维持于8%以上。由于预计2018年高端制造的投资将加快，加上政府支持民间投资的政策加快落实，我们维持2018年民间固定资产投资增速预测在8%以上；**第二，整体基建投资增速3.7%较2018年1-9月的3.3%增速提高0.4个百分点。其中水利管理投资增速跌幅从1-9月的-4.7%收窄至1-10月的-4.1%，铁路运输投资增速跌幅从1-9月的-10.5%收窄至1-10月的-7.0%。**第三，1-10月房地产开发投资增速较2018年1-9月增速下跌0.2个百分点至9.7%，仍高于预期。但考虑到房地产市场的调控仍在增强，房地产投资增速将维持逐步下跌的趋势，预计2018年房地产投资增速仍将下跌，但全年投资增速很有可能高于预期。我们维持2018年房地产投资增速7%的预期。
- 10月基建投资增速终如预期显著反弹，由于政府近月多次提出要加快落实“补短板”的基建投资，以及通过减税及设立民企债券融资支持工具等方法激活更多民间投资，我们认为基建投资加快的势头可于11月及12月持续，基建投资增速初步确认于8、9月见底。即使如此，10月社会融资增速及M2增速均低于预期反映全面复苏的基础未稳，我们预计2018年基建投资增速可反弹至

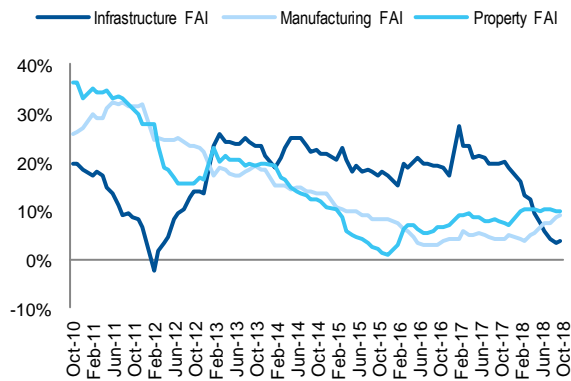
4.5%。根据“十三五”规划，现时落后规划建设进度的短板领域包括铁路、民航机场、水利环境管理设施等，我们认为若政府要追回投资进度，该些领域将优先受惠。暂维持行业“跑赢大市”评级、中国铁建(01186 HK)、中国中铁(00390 HK)及中国建筑国际(03311 HK)的“买入”评级，以及中交建(01800 HK)的“收集”评级。

Table 1: Summary of FAI Statistics, Jan.-Oct. 2018

Categories	Investment (RMB '000 million)	YoY Growth
Urban FAI	547,567	+5.7%
Primary Industry	19,378	+13.4%
Secondary Industry	204,663	+5.8%
Tertiary Industry	323,525	+5.4%
Property Development	99,325	+9.7%
Infrastructure Investment		+3.7%
Transport, Storage and Post		+4.6%
Irrigation, Environment & Public Facilities Management		+2.1%

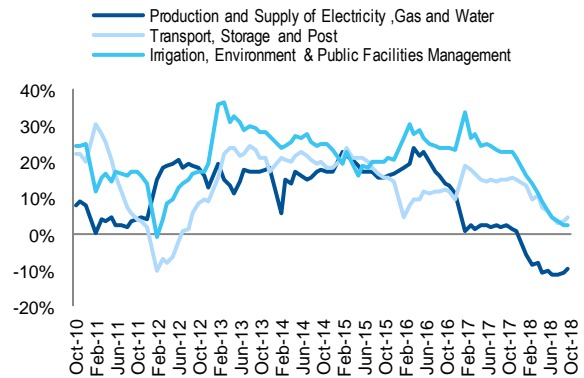
Source: National Bureau of Statistics of China.

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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