Morgan Stanley | RESEARCH

UPDATE

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China Materials | Asia Pacific

May IP Data: Aluminum Production Maintained an Upward Trajectory

YoY production declined for crude steel, cement, coal and glass, but grew for aluminum.

Property – New starts down 24.7% YoY in May (vs. -27.1% YoY in April). GFA sold fell 14.1% YoY (vs. -10.3% YoY in April) and property completions were down 19.6% YoY (vs. -19% YoY in April), all based on restated data for 2025. Our China property team expects a weaker 3Q. Secondary real-time home sales in high-tier cities started weakening in mid-May, and have decelerated even faster in recent weeks. Considering the still-fragile resident sentiment, diminishing policy effects/pent-up demand, and reduced new saleable resources, the team estimates secondary home sales to turn negative y-y, and primary home sales to drop further y-y in 3Q, despite the low base.

FAI was down 12.5% YoY in May 26 (vs. -9.4% YoY in April). Highway FAI slipped 13.8% YoY in May.

Crude steel output was -2.7% YoY in May (vs. -2.8% YoY in April). 5M26 production was down 3.9% YoY. We estimate domestic steel apparent consumption was down 8.5% YoY in May (vs. +1.2% in April) on apparent inventory buildup, amid a 2% slowdown in net exports.

Cement production was -8.1% YoY in May (vs. -10.8% YoY in April). 5M26 production was down 8.6% YoY. Output YoY decline narrowed in May due to lower base numbers. Cement prices in east China remained weak in early June due to weak downstream demand, wet weather, and college entrance examinations.

Aluminum production up 1.7% YoY and 0.5% MoM to 3.9mnt in May 26. Total aluminum production in 5M26 up 3.5% YoY to 19.2mnt, driven by the capacity resumption in Liaoning and new capacity in Inner Mongolia. As the operating capacity has reached the ceiling, we expect overall aluminum production to stay at an elevated level for the remainder of the year given solid industry profitability.

Coal production down 1.7% YoY but up 3% MoM to 397.2mnt in May 2026. The MoM recovery in coal production follows the seasonal trend, as restocking demand from power plants will gradually increase to prepare for the summer peak consumption season. However, a mine accident in late May and tighter safety controls in June, will likely see domestic coal production remain constrained in the near term. Thermal power generation rose 2.1% YoY in May to 472.6bn kWh, accounting for 60% of total power generation vs. 62% in Apr-26.

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GREATER CHINA MATERIALS	
Asia Pacific Industry View	**Attractive**
CHINA COAL	
Asia Pacific Industry View	**Cautious**
GREATER CHINA CEMENT	
Asia Pacific Industry View	**In-Line**

April IP Data (Continued)

Glass production down 6.3% YoY but up 3.6% MoM to 75.5mn wt cases in May 26. The higher MoM production was mainly driven by the volume contribution from resumed lines. Currently, fundamentals for float glass remains weak as inventory remains high amid muted demand. The oversupply pressure should continue to weigh on float glass prices and margins.

Exhibit 1: May 2026 industrial production data

May 2026 Production Data	Growth rate trend	May 2026	MoM May 2026	YoY May 2026	YoY												
					Apr 2026	Mar 2026	Jan+Feb 2026	Dec-25	Nov-25	Oct-25	Sep-25	Aug-25	Jul-25	Jun-25	May-25	2026YTD	
Crude steel (Mnt)		84.4	0.9%	-2.7%	-2.8%	-6.3%	-3.6%	-10.3%	-10.9%	-12.1%	-4.6%	-0.7%	-4.0%	-9.2%	-6.9%	-3.9%	
Finished steel (Mnt)		123.0	0.3%	-2.8%	-1.7%	-2.3%	-1.1%	-3.8%	-2.6%	-0.9%	5.1%	9.7%	6.4%	1.8%	3.4%	-1.5%	
Cement (Mnt)		149.9	2.9%	-8.1%	-10.8%	-21.0%	6.8%	-6.6%	-8.2%	-15.8%	-8.6%	-6.2%	-5.6%	-5.3%	-8.1%	-8.6%	
Aluminum (Mnt)		3.9	0.5%	1.7%	3.1%	2.7%	3.0%	3.0%	2.5%	0.4%	1.8%	-0.5%	0.6%	3.4%	5.0%	3.5%	
Glass (mn wt cases)		75.5	3.6%	-6.3%	-7.9%	-6.6%	-3.5%	3.4%	3.7%	3.3%	-9.7%	-2.0%	-3.4%	-4.5%	-5.7%	-6.3%	
Coal production (Mnt)		397.2	3.0%	-1.7%	-1.0%	0.0%	-0.3%	-1.0%	-0.5%	-2.3%	-1.8%	-3.2%	-3.8%	3.0%	4.2%	-0.3%	
Thermal power generation (kWH bn)		472.6	1.9%	2.1%	3.1%	4.2%	3.3%	-3.2%	-4.2%	7.3%	-5.4%	1.7%	4.3%	1.1%	1.2%	3.4%	
FAI, % YoY		-12.5%	-14.1ppt	-12.5%	-9.4%	1.6%	-4.4%	-15.1%	-12.0%	-12.2%	-7.1%	-7.1%	-5.3%	-0.1%	2.7%	-4.1%	
IP, %, YoY		4.5%	-1.2ppt	4.5%	4.1%	5.7%	6.3%	5.2%	4.8%	4.9%	6.5%	5.2%	5.7%	6.8%	5.8%	5.4%	
Property																	
FS starts (mn sqm)		40.3	14.2%	-24.7%	-27.1%	-17.1%	-23.1%	-19.3%	-27.7%	-29.3%	-15.0%	-19.8%	-15.2%	-9.5%	-18.7%	-24.7%	
FS sold (mn sqm)		60.6	5.7%	-14.1%	-10.3%	-8.0%	-13.5%	-16.6%	-17.9%	-19.6%	-11.9%	-11.0%	-8.4%	-6.6%	-4.6%	-14.1%	
FS completions (mn sqm)		22.0	5.0%	-19.6%	-19.0%	-19.3%	-27.9%	-18.4%	-25.4%	-27.9%	0.4%	-21.3%	-29.4%	-2.2%	-19.1%	-19.6%	
Investment (Rmb bn)		638.7	2.2%	-24.9%	-20.1%	-11.7%	-10.3%	-36.8%	-31.4%	-23.2%	-21.3%	-19.9%	-17.1%	-12.4%	-12.4%	-16.2%	
Infrastructure FAI																	
Highway (Rmb bn)*		350.3	24.8%	-13.8%	-18.1%	5.6%	-0.6%	-18.4%	-8.7%	-15.4%	0.9%	-11.6%	-16.6%	3.4%	1.1%	-5.7%	

Source: National Bureau of Statistics, Morgan Stanley Research. *Note: Railway and highway FAI growth is rebased.

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Underweight/Sell	551	15%	86	9%	16%	201	12%
Total	3,667		920			1632	

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COMPANY (TICKER)	RATING (AS OF)	PRICE* (06/15/2026)
Chris Jiang		
Anhui Honglu Steel Construction (002541.SZ)	U (12/16/2025)	Rmb17.38
CGN Mining Co Ltd (1164.HK)	O (01/18/2023)	HK$3.10
Chengxin Lithium Group Co. Ltd. (002240.SZ)	E (12/16/2025)	Rmb51.63
GEM Co Ltd (002340.SZ)	U (04/20/2026)	Rmb7.58
Shenzhen Kedali Industry Co Ltd (002850.SZ)	O (08/21/2023)	Rmb191.30
Sinomine Resource Group Co Ltd (002738.SZ)	O (12/16/2025)	[illegible]
Yongxing Special Materials Technology (002756.SZ)	E (11/25/2022)	[illegible]
Zhejiang Huayou Cobalt Co Ltd (603799.SS)	O (10/08/2025)	[illegible]
Hannah Yang, CFA		
China Hongqiao Group (1378.HK)	O (09/15/2023)	[illegible]
Chuangxin Industries Holdings Ltd. (2788.HK)	O (03/19/2026)	[illegible]
Flat Glass Group Co Ltd (6865.HK)	O (07/30/2020)	[illegible]

Flat Glass Group Co Ltd (601865.SS)	O (07/30/2020)	Rmb10.96
MMG Ltd (1208.HK)	O (12/16/2024)	HK$9.74
Shandong Pharmaceutical Glass Co. Ltd. (600529.SS)	U (04/20/2026)	Rmb18.28
Shenhuo Coal and Power (000933.SZ)	O (09/02/2025)	Rmb26.44
Tianshan Aluminum (002532.SZ)	O (03/19/2026)	Rmb13.52
Xinyi Glass Holding Limited (0868.HK)	U (05/14/2024)	HK$9.50
Zhongfu Shenying Carbon Fiber Co Ltd (688295.SS)	O (08/25/2023)	Rmb51.09
Rachel L Zhang		
Aluminum Corp. of China Ltd. (601600.SS)	O (11/30/2020)	Rmb10.67
Aluminum Corp. of China Ltd. (2600.HK)	O (11/30/2020)	HK$9.45
Baoshan Iron & Steel (600019.SS)	O (01/16/2016)	Rmb5.97
Beijing New Building Materials (000786.SZ)	O (04/09/2024)	Rmb20.91
Beijing Oriental Yuhong Waterproof Techn (002271.SZ)	E (09/25/2024)	Rmb12.56
China Jushi (600176.SS)	O (12/22/2020)	Rmb45.77
China Lesso Group Holdings Ltd (2128.HK)	U (10/08/2025)	HK$4.24
China Steel Corp. (2002.TW)	U (12/16/2025)	NT$18.65
CMOC Group Ltd (3993.HK)	O (09/24/2019)	HK$19.98
CMOC Group Ltd (603993.SS)	O (06/21/2024)	Rmb20.92
CNGR Advanced Material Co., Ltd. (300919.SZ)	E (01/12/2026)	Rmb48.79
CNGR Advanced Material Co., Ltd. (2579.HK)	O (01/12/2026)	HK$31.24
FangDa Carbon New Material Co. Ltd. (600516.SS)	U (12/16/2024)	Rmb6.00
Ganfeng Lithium Co. Ltd. (002460.SZ)	O (04/20/2026)	Rmb71.32
Ganfeng Lithium Co. Ltd. (1772.HK)	O (12/16/2025)	HK$61.85
Henan Liliang Diamond Co. Ltd (301071.SZ)	U (04/20/2026)	Rmb70.57
Jiangsu Dingsheng New Materials (603876.SS)	U (04/20/2026)	Rmb26.55
Jiangxi Copper (0358.HK)	O (10/08/2025)	HK$37.20
Jiangxi Copper (600362.SS)	O (10/08/2025)	Rmb47.36
JL Mag Rare-Earth Co. Ltd (6680.HK)	O (04/23/2025)	HK$18.99
JL Mag Rare-Earth Co. Ltd (300748.SZ)	O (04/23/2025)	Rmb31.41
Nine Dragons Paper (2689.HK)	E (01/04/2023)	HK$7.33
Shandong Gold Mining Co. Ltd (600547.SS)	O (04/23/2025)	Rmb28.66
Shandong Gold Mining Co. Ltd (1787.HK)	O (12/12/2024)	HK$23.08
Shandong Nanshan Aluminium Co. (600219.SS)	O (11/30/2020)	Rmb4.81
Tianqi Lithium Industries Inc. (9696.HK)	O (12/16/2025)	HK$48.30
Tianqi Lithium Industries Inc. (002466.SZ)	O (04/20/2026)	Rmb63.72
Weixing New Building Materials (002372.SZ)	U (10/08/2025)	Rmb9.15
Zhaojin Mining Industry (1818.HK)	O (06/21/2024)	HK$21.40
Zijin Gold International (2259.HK)	O (11/06/2025)	HK$121.50
Zijin Mining Group (2899.HK)	O (11/06/2025)	HK$33.56
Zijin Mining Group (601899.SS)	O (11/06/2025)	Rmb31.31

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

INDUSTRY COVERAGE: China Coal

COMPANY (TICKER)	RATING (AS OF)	PRICE* (06/15/2026)
Hannah Yang, CFA		
China Coal Energy Co., Ltd. (601898.SS)	E (03/16/2026)	Rmb14.77
China Coal Energy Co., Ltd. (1898.HK)	O (03/16/2026)	HK$11.50
China Shenhua Energy (1088.HK)	O (11/02/2017)	HK$43.06
China Shenhua Energy (601088.SS)	E (04/04/2019)	Rmb43.39
Shaanxi Coal Industry (601225.SS)	O (03/16/2026)	Rmb25.26
Shanxi Coking Coal (000983.SZ)	E (10/26/2021)	Rmb7.05
Yancoal Australia Ltd (3668.HK)	O (03/16/2026)	HK$32.74
Yankuang Energy Group Co Ltd (1171.HK)	O (03/16/2026)	HK$12.86

Yankuang Energy Group Co Ltd (600188.SS)	E (03/16/2026)	Rmb21.08
Rachel L Zhang		
Shougang Fushan Resources Group Limited (0639.HK)	O (09/15/2022)	HK$2.61

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

INDUSTRY COVERAGE: Greater China Cement

COMPANY (TICKER)	RATING (AS OF)	PRICE* (06/15/2026)
Rachel L Zhang		
Anhui Conch Cement Co. Ltd (0914.HK)	E (04/20/2026)	HK$18.16
Anhui Conch Cement Co. Ltd (600585.SS)	E (04/20/2026)	Rmb18.44
Asia Cement (1102.TW)	U (04/01/2021)	NT$35.60
China National Building Material Company (3323.HK)	O (04/07/2025)	HK$5.15
China Resources Building Materials (1313.HK)	U (04/20/2026)	HK$1.19
Huaxin Building Materials (6655.HK)	O (10/17/2025)	HK$14.40
Huaxin Building Materials (600801.SS)	O (04/14/2017)	Rmb19.32
Taiwan Cement (1101.TW)	U (04/01/2021)	NT$24.50
West China Cement (2233.HK)	U (04/20/2026)	HK$1.75

Stock Ratings are subject to change. Please see latest research for each company.
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