Global construction trends & forecasts

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Editor

International Construction
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International Construction

- The only global magazine for the whole construction industry
- 50 years old this year
- Published by KHL Group – global leader in international construction information
World economic growth 2012

US 2.0%
EU 0.0%
LAm 3.4%
MENA 5.5%
S Af 5.4%
CIS 4.1%
RoA 7.1%
JP 2.4%

WORLD 3.3%
World economic growth 2013

US 2.2%
LAm 3.2%
CIS 4.0%
MENA 5.3%
RoA 6.7%
S Af 5.0%
JP 2.2%
WORLD 3.9%

-0.4%
# The post-recession world

<table>
<thead>
<tr>
<th>Region</th>
<th>2007 GDP Growth</th>
<th>2013 GDP Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>+1.9%</td>
<td>+2.2%</td>
</tr>
<tr>
<td>EU</td>
<td>+3.4%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>China</td>
<td>+14.1%</td>
<td>+8.5%</td>
</tr>
<tr>
<td>Developed Countries</td>
<td>+2.8%</td>
<td>+1.9%</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>+8.7%</td>
<td>+5.9%</td>
</tr>
<tr>
<td><strong>WORLD</strong></td>
<td><strong>+5.4%</strong></td>
<td><strong>+3.9%</strong></td>
</tr>
</tbody>
</table>
Summary

- Economic growth will remain lower than in the boom years
- Growth in emerging markets (but slower than before)
- Weak recovery in developed markets
  - Too much debt
  - Poor policies & political leadership
GDP – construction relationship

- Construction output ~ 10% of GDP
  - Global GDP ~ US$ 75 trillion
  - Global construction ~ US$ 7.5 trillion

- Construction tends to track GDP growth
  - But specific policies & events have an impact
Construction markets – relative sizes

Total size ~ US$ 7.5 trillion
Construction markets – Europe

- Germany & Scandinavia growing
- Indebted countries in crisis
- Unimpressive recovery in 2014 (?)
- Austerity = weak civil engineering

Size ~ US$ 1450 billion
Growth ~ -2%

Market -20% below peak
Construction markets – US

Recovery after long recession
- Growth from a low base
- 30% below peak (June 2006)

Private sector driving growth

Public sector falling

Size ~ US$ 850billion
Growth ~ +6%

Housing starts still weak
Construction markets – Developing Asia

Growth, but not as strong as before

Slowdown in China & India

Growth in other markets

Focus on infrastructure & energy

Size ~ US$ 1250 billion
Growth ~ +6%
Construction markets – Latin America

Brazil dominates
- Olympics & World Cup
- Energy & infrastructure

Strong smaller markets
- Chile, Panama, Peru

But not all of them!
- Venezuela, Argentina

Size ~ US$ 550 billion
Growth ~ +6%

Good long-term prospects
Construction markets – Middle East & Africa

Commodity-price driven
- Unstable & unpredictable
- Some countries diversifying

Impact of Arab Spring

Very high growth in places

Business climate & political stability?

Size ~ US$ 450 billion
Growth ~ +5%
Construction markets – CIS

Russia dominates
- Oil price
- Focus on major events
- Business climate
- Lack of overall plan

Smaller countries diversifying
- Funded by gas & oil wealth

Size ~ US$ 250 billion
Growth ~ +4%
Construction growth summary 2012

- US: 6%
- EU: -2%
- CIS: 4%
- RoA: 6%
- LAm: 6%
- ME & AF: 5%
- WORLD: 4%
Summary – construction markets

- Slow post-recession recovery
- 2012-13 is a temporary(?) speed bump
  - Euro crisis (global impact)
  - Chinese slowdown
- Developing markets offer best growth prospects
  - General focus on energy & infrastructure
Economic drivers for tower cranes
What makes a good tower crane market?

- High-rise construction
  - Residential & non-residential building

- Wealth
  - High-rise buildings are expensive
  - Tower cranes are expensive

- Economic growth & pressure on land
  - The need for more useable space
What makes a good tower crane market?
Urbanisation – positive long-term trend

- By 2050, 75% of population will live in cities
  - (50% today)

- 7 billion people!
  - (3.5 billion today)

- About 800 cities with 1 million+ inhabitants
  - (450 today)

- 45 mega cities (10 million+ inhabitants)
  - (25 today)
Tower crane markets of the future

What do the economic trends tell us?
Not just any city!

- High economic growth
  - Demand for more useable space

- High population and/or confined geography
  - Need for more space – pressure to build upwards

- General and individual wealth
  - Money to pay for more space
Where are the high-growth cities? – top 100

- Africa, 23
- Asia, 52
- Latin America, 14
- Australasia; 1
- Middle East, 8
- North America; 2
Where are the rich cities? – total GDP

North America, 26
Asia, 22
Europe, 26
Latin America, 12
Middle East, 6
Australasia, 3
Africa, 4
Where are the big cities? - Population

- Africa: 13
- Latin America: 10
- Europe: 7
- Middle East: 7
- North America: 3
- Australasia: 2
- Asia: 58
## Where are the big, rich, growing cities?

<table>
<thead>
<tr>
<th>City</th>
<th>Country</th>
<th>Population</th>
<th>Growth rate</th>
<th>GDP (US$ billion)</th>
<th>GDP/capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brasilia</td>
<td>Brazil</td>
<td>2,089,000</td>
<td>2.99%</td>
<td>45</td>
<td>21,708</td>
</tr>
<tr>
<td>Riyadh</td>
<td>Saudi Arabia</td>
<td>4,950,000</td>
<td>3.09%</td>
<td>96</td>
<td>19,399</td>
</tr>
<tr>
<td>Jeddah</td>
<td>Saudi Arabia</td>
<td>3,856,000</td>
<td>2.93%</td>
<td>65</td>
<td>16,962</td>
</tr>
<tr>
<td>Hyderabad</td>
<td>India</td>
<td>3,637,000</td>
<td>2.91%</td>
<td>45</td>
<td>12,410</td>
</tr>
<tr>
<td>Bandung</td>
<td>Indonesia</td>
<td>2,510,000</td>
<td>2.90%</td>
<td>31</td>
<td>12,297</td>
</tr>
<tr>
<td>Jakarta</td>
<td>Indonesia</td>
<td>10,100,000</td>
<td>3.03%</td>
<td>117</td>
<td>11,606</td>
</tr>
<tr>
<td>Pune</td>
<td>India</td>
<td>3,337,000</td>
<td>3.46%</td>
<td>37</td>
<td>11,026</td>
</tr>
<tr>
<td>Wuhan</td>
<td>China</td>
<td>4,500,000</td>
<td>2.87%</td>
<td>45</td>
<td>10,007</td>
</tr>
<tr>
<td>Delhi</td>
<td>India</td>
<td>12,100,000</td>
<td>3.48%</td>
<td>114</td>
<td>9,437</td>
</tr>
<tr>
<td>Bangalore</td>
<td>India</td>
<td>5,840,000</td>
<td>2.79%</td>
<td>53</td>
<td>9,089</td>
</tr>
</tbody>
</table>
Summary

- Construction & economic growth in emerging markets
- Long-term trend towards urbanisation
- Tower crane sales will come from non-traditional markets
- Opportunities and challenges!
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