Construction Outlook in China

Industry Study with Forecasts for 2019 & 2024

Study #3299 | July 2015 | $5400 | 241 pages
Table of Contents

EXECUTIVE SUMMARY

MARKET ENVIRONMENT
General..........................................................4
Economic Overview ...........................................5
Recent Economic Performance .......................5
Economic Outlook ............................................7
Demographic Overview ..................................11
Population ....................................................11
Urbanization ..................................................14
Households ...................................................14
Industrialization & Manufacturing Trends ....16
Gross Fixed Capital Formation Trends ..........19
Labor Force & Employment Patterns ..........20
Personal Income Trends ...............................24
Banking System & Regulations .......................27
Currency Exchange Rates ...............................30
Inflation & Pricing Patterns ..............................33
Legal & Regulatory Environment ..................36
Construction Technology & Quality .............40
The Twelfth Five-Year Plan ............................42

OVERVIEW
General..........................................................46
Construction Expenditures by Type ..............47
Construction Expenditures by Market ..........48
International Environment .........................52
Construction Expenditures
for Selected Countries .................................53
Foreign Participation in China's
Construction Industry .................................54

RESIDENTIAL BUILDING
General..........................................................58
New Housing Construction Expenditures ....62
New Housing Completions .........................65
Single Family .................................................68
Multifamily .....................................................71
Additions & Alterations ...............................73
Housing Stock .................................................75
Single Family .................................................78
Multifamily .....................................................80
Ownership ......................................................82
Living Space ..................................................83
Urban ..........................................................86
Rural ..........................................................87

NONRESIDENTIAL BUILDING
General..........................................................88
New Construction ..........................................92
Additions & Alterations ...............................93
Structure Types .............................................94
Industrial .........................................................96
Office & Commercial ....................................97
Institutional .....................................................98
Other ..............................................................100
Nonresidential Building Stock .......................101

NONBUILDING
General..........................................................103
Structure Types .............................................107
Roads & Other Transportation
Infrastructure ...............................................110
Utilities ..........................................................113
Other ..............................................................114

REGIONAL TRENDS
General..........................................................116
Regional Demographic & Economic Trends ..118
Population Patterns .......................................119
Economic Outlook ..........................................121
Regional Construction Expenditures ..........124
Central-North ...............................................126
Overview .......................................................126
Construction Expenditures .........................128
Northeast .......................................................131
Overview .......................................................131
Construction Expenditures .........................133
Central-East ...................................................135
Overview .......................................................135
Construction Expenditures .........................137
Central-South ...............................................139
Overview .......................................................139
Construction Expenditures .........................141
Southwest .....................................................143
Overview .......................................................143
Construction Expenditures .........................145
Northwest .....................................................147
Overview .......................................................147
Construction Expenditures .........................149

INDUSTRy STRUCTURE
General..........................................................152
Industry Composition ..................................153

Market Share ..................................................157
Marketing .......................................................160
Financial Issues & Requirements .................162
Capital Expenditures .....................................164
Project Funding ..............................................166
State ..............................................................166
Private Domestic ...........................................166
Foreign Investment .......................................167

COMPANY PROFILES
AECOM Technology ........................................169
Amec Foster Wheeler ....................................171
Anhui Construction Engineering ..................173
Balfour Beatty ..............................................175
Bechtel Corporation .......................................177
Beijing Construction Engineering ................178
Beijing Urban Construction .........................180
Black & Veatch ..............................................182
Bouygues SA ................................................184
China Communications Construction ..........186
China Gezhoubia Group ...............................189
China National Chemical Engineering ..........191
China National Machinery Industry ..............193
China Railway Construction .......................195
China Railway Group Limited ......................197
China State Construction Engineering ..........199
Chiyoda Corporation .....................................202
CTCI Corporation .........................................204
Dongfang Electric .........................................207
Flour Corporation .........................................208
Fujian Construction Engineering ..................210
Guangdong Construction Engineering ..........212
Guangsha Holding Group .............................213
Hebei Construction ........................................216
HOCHTIEF AG ..............................................218
Hunan Construction Engineering ..................219
Jacobs Engineering .......................................221
Jiangsu Suzhong Construction ....................223
Lend Lease Corporation Limited .................224
Metallurgical Corporation of China ..............226
NWS Holdings Limited .................................229
Power Construction Corporation of China .....230
Qingjian Group ..............................................232
Shaanxi Construction Engineering ...............233
Shanghai Construction ..................................235
Shanghai Urban Construction .......................236
Sichuan Huashi Group .................................237
Zhejiang Construction Investment Group ....239
Other Companies Mentioned in the Study ....241
List of Tables

EXECUTIVE SUMMARY
1 Summary Table ........................................ 3

MARKET ENVIRONMENT
1 Gross Domestic Product of China ............ 10
2 Population of China ................................ 13
3 Households in China by Region ............. 15
4 Manufacturing Value Added in China ....... 18
5 Gross Fixed Capital Formation in China by Region ............. 20
7 Per Capita Gross Domestic Product in China by Region .......... 26
8 Interest Rates in China, 2004-2014 .......... 30
10 Construction Pricing Deflators in China .... 36

OVERVIEW
1 Construction Expenditures in China by Type .......... 48
2 Construction Expenditures in China by Market .......... 51
3 Construction Expenditures for Selected Countries, 2004-2014 .......... 54
4 Foreign Participation in China's Construction Industry .......... 57

REGIONAL TRENDS
1 Population of China by Region ............. 121
2 Gross Domestic Product of China by Region ............. 123
3 Construction Expenditures in China by Region .......... 125
4 Central-North Region of China: Construction Expenditures .......... 130
5 Northeast Region of China: Construction Expenditures .......... 135
6 Central-East Region of China: Construction Expenditures .......... 139
7 Central-South Region of China: Construction Expenditures .......... 143
8 Southwest Region of China: Construction Expenditures .......... 147
9 Northwest Region of China: Construction Expenditures .......... 151

INDUSTRY STRUCTURE
1 Revenue Data, 2014: Selected Construction Companies .......... 156

List of Charts

MARKET ENVIRONMENT
2 Households in China by Region, 2004-2024 .......... 16
4 Per Capita Gross Domestic Product in China by Region, 2014 .......... 26

NONRESIDENTIAL BUILDING
1 Nonresidential Building Construction Expenditures in China by Type .......... 91
2 Nonresidential Building Construction Expenditures in China by Type .......... 95
3 Nonresidential Building Stock in China .......... 102

OVERVIEW
1 Construction Expenditures in China by Market, 2004-2024 .......... 52

RESIDENTIAL BUILDING
1 New Housing Construction Expenditures in China, 2004-2024 .......... 65
2 New Housing Completions in China, 2004-2024 .......... 68
3 Housing Stock in China by Type, 2004-2024 .......... 78
4 Average Living Space in China, 2004-2024 .......... 85

NONRESIDENTIAL BUILDING
1 Nonresidential Building Construction Expenditures in China by Type, 2014 .......... 95

REGIONAL TRENDS
1 Nonresidential Building Construction Expenditures in China by Type, 2014 .......... 109
2 Total & Paved Roads in China, 2004-2024 .......... 112

INDUSTRY STRUCTURE
1 Construction Market Share in China, 2014 .......... 157
Expenditures to rise nearly 8% annually through 2019

Construction expenditures in China are expected to grow 7.8 percent per annum in real terms through 2019. Gains will be driven by ongoing industrialization, an increasing urban population, expanding foreign investment funding, rising personal income levels, and further population and household growth in China. In addition, the government’s effort to sustain growth in the manufacturing sector, improve the country’s infrastructure, expand municipal utilities, and balance regional economic disparity will help growth in construction spending. However, further growth will be restricted by a slowdown in the Chinese economy, especially in fixed asset investment.

Northwest to grow fastest

China consists of several regional markets characterized by different climates, populations, and levels of economic development. The Central-East accounted for 43 percent of construction spending in China in 2014, higher than its share of population or economic output. However, the region will see slower growth through 2019 than the other five regions of China -- 7.2 percent yearly -- mainly due to the large size of its existing stock. Construction expenditures in the Northwest are forecast to rise 9.0 percent yearly in real terms through 2019, outpacing all other regions. China’s “Great Western Development” strategy will result in sizable gains in spending on infrastructure and manufacturing applications in this region.

Demographics to bolster residential construction

Residential building construction, which accounted for 31 percent of construction spending in China in 2014, will advance at a 7.5 percent annual pace in real terms through 2019. Rising personal income levels, population and household growth, and population migration from rural to urban areas will drive advances. Government efforts to improve living conditions for low income earners (such as construction of affordable and low rent houses in urban areas and subsidies for alterations of dilapidated farmhouses in rural areas) will also further gains in this segment.

Domestic spending to fuel nonresidential building

Nonresidential buildings represented the largest segment of the construction market in China in 2014, accounting for 40 percent of construction spending. Nonresidential construction spending is forecast to grow 8.1 percent annually in real terms through 2019. Robust growth in consumer spending for manufactured goods and services, accommodative government policies, and foreign direct investment, as well as government efforts to improve standards of living in China, will all help to spur gains in nonresidential infrastructure.
NONRESIDENTIAL BUILDING

Industrial

Construction spending on manufacturing and other industrial buildings or facilities in China grew at an annual pace of over 18 percent from 2004 to 2014, one of the fastest rates achieved by any of the world’s major economies. Expansion and modernization of the country’s industrial sector has long been the focus of government economic development efforts. Manufacturing output (as measured by value added) grew at a rate of 13 percent annually in the 2004-2014 period, and China is now the largest producer of manufactured goods in the world. In 2014, construction spending on industrial facilities accounted for 48 percent of the overall nonresidential building construction market.

Spending on the construction of industrial buildings is projected to increase to 8.2 percent per year in real terms through 2019, in line with the overall nonresidential building market. Advances will be driven by manufacturers’ decisions to build new facilities and production lines as part of efforts to focus on higher-value-added goods. Construction activities in power generation, water supply, and resource extraction industries will, as a result, post strong growth. Rising standards of living will boost domestic demand for a range of consumer products, further fueling industrial building construction. In addition, the relocation of traditio-nal labor-intensive manufacturing plants to less developed inland regions will also contribute to spending gains. As the economy in the inland regions has developed, the appeal of working in coastal regions has decreased, and the shortage of migrant workers in these regions in recent years has helped to keep labor costs to rise substantially. Government policies have encouraged the relocation of manufacturing facilities to inland regions, and many companies in textile, electronics, paper making, and energy industries are increasing investment in inland regions.

Table VI-3

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<th>Item</th>
<th>2004</th>
<th>2009</th>
<th>2014</th>
<th>2019</th>
<th>2024</th>
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<td>3258</td>
<td>3861</td>
<td>4450</td>
<td>4950</td>
<td>5450</td>
</tr>
<tr>
<td>% paved</td>
<td>38.7</td>
<td>58.4</td>
<td>68.5</td>
<td>78.5</td>
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<tr>
<td>Paved Roads</td>
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<td>2253</td>
<td>3050</td>
<td>3885</td>
<td>4720</td>
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<td>Central-North</td>
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<td>450</td>
<td>535</td>
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<td>Northeast</td>
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<td>Central-East</td>
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<td>671</td>
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<td>1010</td>
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<td>Central-South</td>
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<td>742</td>
<td>950</td>
<td>1160</td>
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<tr>
<td>Southwest</td>
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<td>622</td>
<td>810</td>
<td>1000</td>
</tr>
<tr>
<td>Northwest</td>
<td>148</td>
<td>286</td>
<td>394</td>
<td>520</td>
<td>645</td>
</tr>
</tbody>
</table>

Source: The Freedonia Group, Inc.

Chart VII-2

CONSTRUCTION EXPENDITURES IN CHINA BY REGION, 2014
(2013 yuan 17.6 trillion)
Guangdong Construction Engineering Group Corporation

Tianrun Building
No. 87, Canton Road
Guangzhou, Guangdong 510635
China
86-20-3848-6648
http://www.gdceg.com

Revenues: ¥27.9 billion [US$4.5 billion] (2014 as reported by company)
Employment: 32,000 (estimated)

Key Services: Construction, construction and project management, engineering, site development, equipment installation, and other services

Guangdong Construction Engineering is a state-owned enterprise that has First Grade Certification from the government of China for general contracting, construction, municipal engineering, industrial and hydropower equipment installation, water conservancy, decoration, and real estate development. The Company’s operations include approximately 45 branches and subsidiaries in China and other countries.

The Company is involved in the Chinese construction industry through the provision of construction, construction and project management, engineering, site development, equipment installation, and other services. These services are offered for use in various building and nonbuilding projects, including the construction of housing, water utilities, airports, subway systems, roads, tunnels, bridges, and steel structures. In China, Guangdong Construction Engineering has completed numerous projects, including the Shenzhen Water Supply Improvement Project, Lingnan Garden District, and Guangzhou Baiyun International Conference Center. Many of its projects were awarded local and national prizes. For example, Guangdong Construction Engineering

Sample Profile & Table, & Study Coverage

TABLE IV-5
HOUSING STOCK IN CHINA BY TYPE & OWNERSHIP
(million units)

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<thead>
<tr>
<th>Item</th>
<th>2004</th>
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<th>2014</th>
<th>2019</th>
<th>2024</th>
</tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>units/household</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Housing Stock</td>
<td></td>
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<td></td>
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<tr>
<td>By Type:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single Family</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Multifamily</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>By Ownership:</td>
<td></td>
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<tr>
<td>Private</td>
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<tr>
<td>Government</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>sq m/unit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>single family</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>multifamily</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Housing Stock (million square meters)</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Single Family</td>
<td></td>
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<tr>
<td>Multifamily</td>
<td></td>
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</tr>
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</table>

Source: The Freedonia Group, Inc.
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Related Studies

World Housing
Worldwide construction of new housing units is forecast to increase 3.0 percent annually to 2.3 billion units in 2019. North America and Western Europe will see the fastest growth from a depressed 2014 base. On a global basis, new construction of multifamily units will outpace single-family units. This study analyzes the 2.1 billion unit world housing industry, with existing stock and new unit forecasts presented for 2019 and 2024 by type in six world regions and 22 major countries. The study also considers economic trends, demographics, and other market factors.

#3312.................July 2015..................$900

World Windows & Doors
Global demand for windows and doors is projected to rise 5.9 percent annually through 2019 to $233 billion. Growth in the dominant Asia/Pacific market will slow but remain the fastest growing, followed closely by North America. Doors will outpace windows, and nonresidential buildings will outpace the residential market. This study analyzes the $175 billion world window and door industry, with forecasts for 2019 and 2024 by product, material and market for six world regions and 21 major countries. The study also evaluates company market share and profiles industry players.

#3294.................July 2015..................$6500

World Fiber Cement
World demand for fiber cement products is forecast to rise 4.4 percent annually to 32.6 million metric tons in 2019. Molding and trim and siding will be the fastest growing applications, based on fiber cement’s ability to look like wood but last longer. North America will be the fastest growing regional market. This study analyzes the 28.3 million metric ton world fiber cement industry, with demand forecasts for 2019 and 2024 by market and application in 6 world regions and 19 countries. The study also evaluates company market share and profiles industry players.

#3273.................May 2015..................$6300

World Countertops
Global demand for countertops is forecast to rise 4.2 percent per year to 503 million square meters in 2018. The Asia/Pacific region will remain the largest and fastest growing market. While the nonresidential market will post faster gains, the much larger residential segment will provide the most growth in demand. This study analyzes the 409 million square meter world countertop industry, with forecasts for 2018 and 2023 by material, market, application, product, world region, and for 18 countries. The study also evaluates company market share and profiles industry participants.

#3250.................February 2015..................$6300

World Flooring & Carpets
Through 2018, global demand for floor coverings is forecast to advance 4.5 percent annually to 19.4 billion square meters, valued at $325 billion. Nonresilient flooring will remain the dominant product segment and will grow the fastest. China and the United States will be the two fastest growing major markets. This study analyzes the 15.5 billion square meter world flooring and carpet industry, with forecasts for 2018 and 2023 by product, market, world region, and for 20 countries. The study also evaluates company market share and profiles industry players.

#3227.............December 2014..................$6500

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