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SINGAPORE 4 & 5 OCT

Asia Pacific Economic Overview

Dr Nicholas Fearnley

Head of Global Construction – Oxford Economics

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Dr Nicholas Fearnley

Head of Global Construction Forecasting

Dr Nicholas Fearnley is the Head of Global Construction Forecasting, overseeing the teams that produce the various global construction services. He works over the full construction spectrum, and has experience forecasting construction activity, cost escalation, and material demand.

Phone:

+61 2 8458 4262

Email address:

nfearnley@oxfordeconomics.com

Mailing address:

Level 6, 7 Macquarie Place, Sydney NSW 2000, Australia

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Agenda

- Three forces shaping the global economic outlook
  - Excess demand (in North America)
  - Energy crisis (in Europe)
  - Broken growth model in China
- Key themes driving the construction outlook
  - Infrastructure investment driving growth
  - Tighter monetary policy to weigh on building demand
  - Chinese real estate commencements to fall further
  - Construction costs will rebase at a higher level
- Questions

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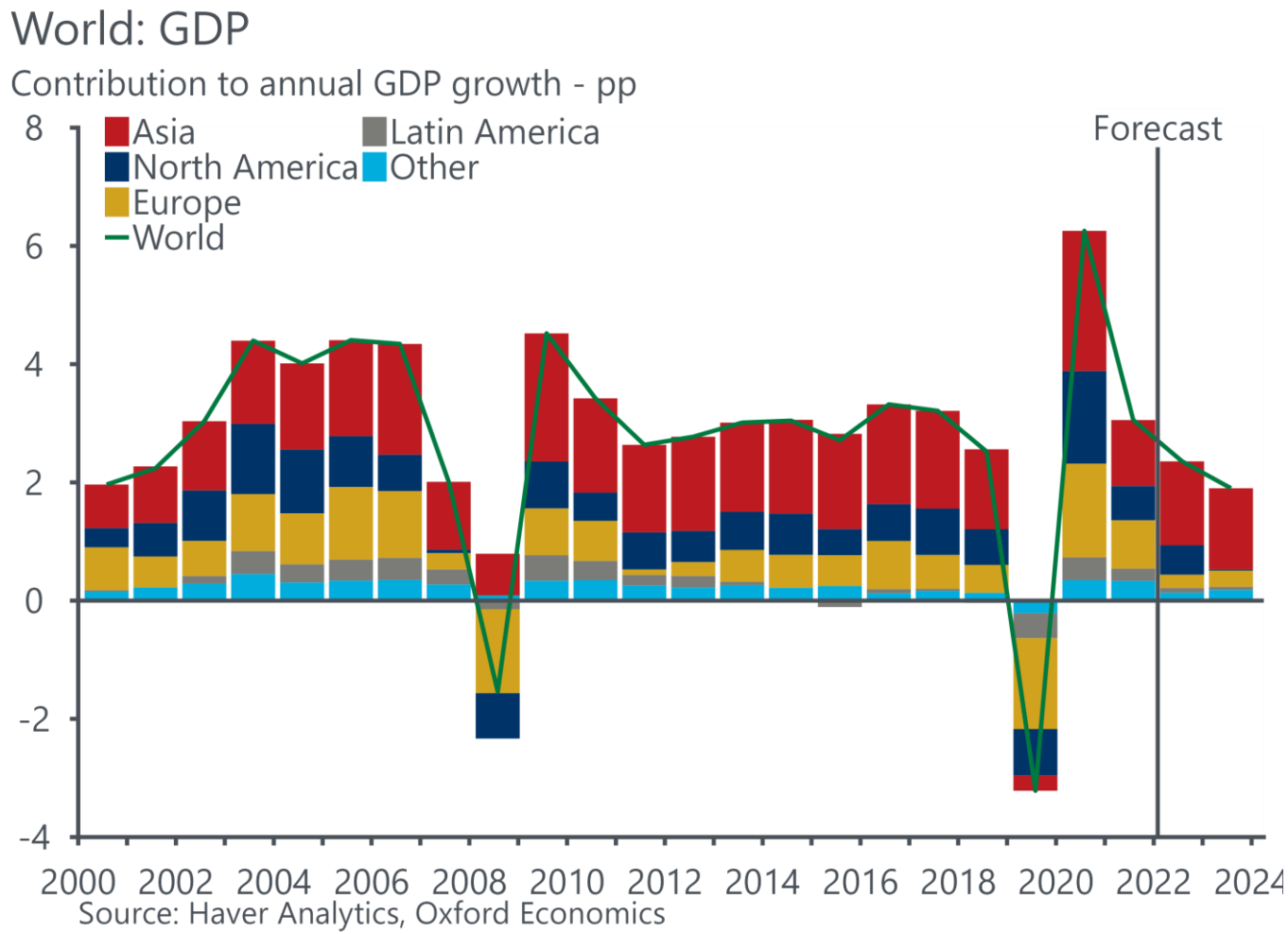
Economic Outlook

Slow and unspectacular GDP growth awaits in 2024



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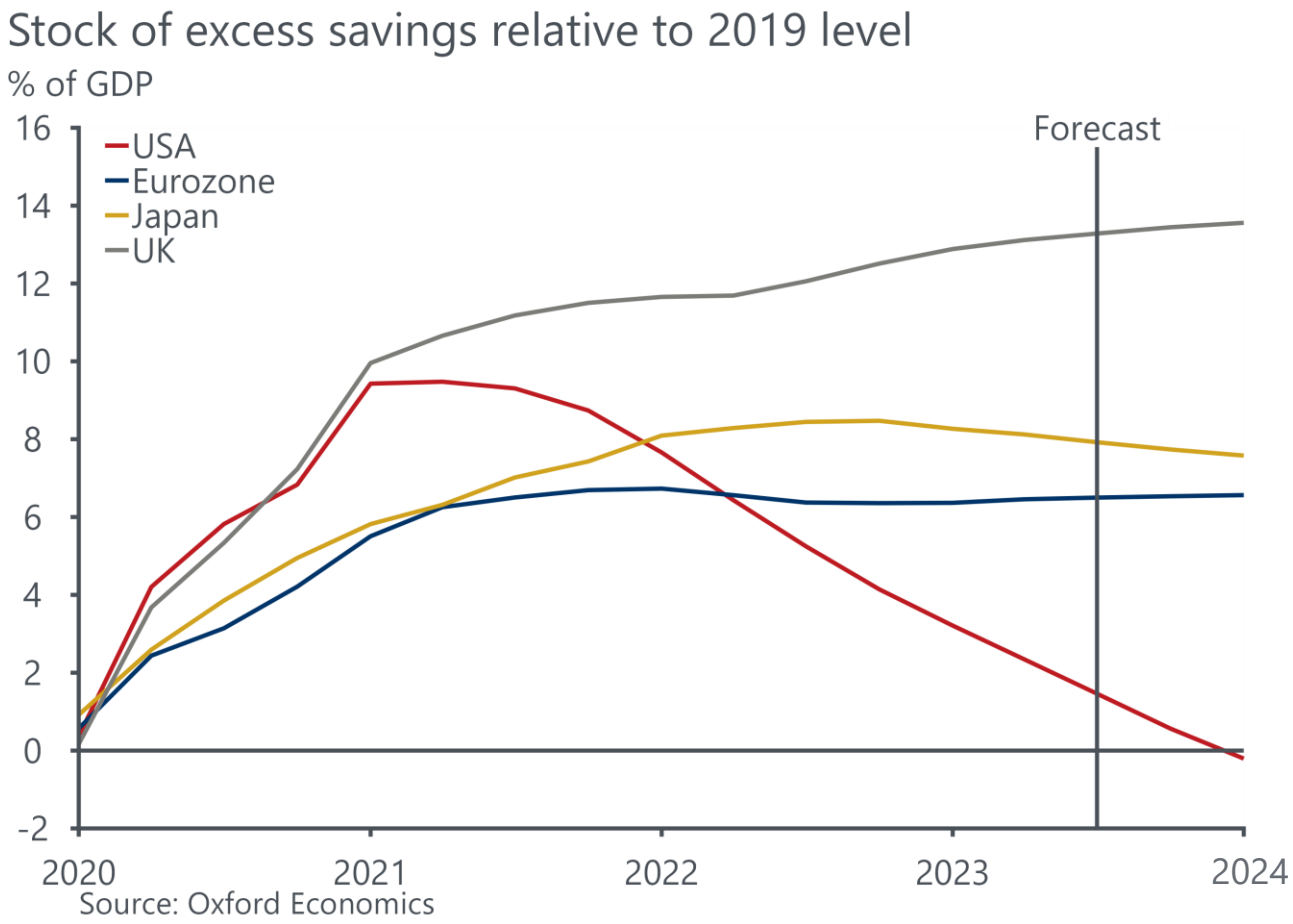
US continues to spend excess savings



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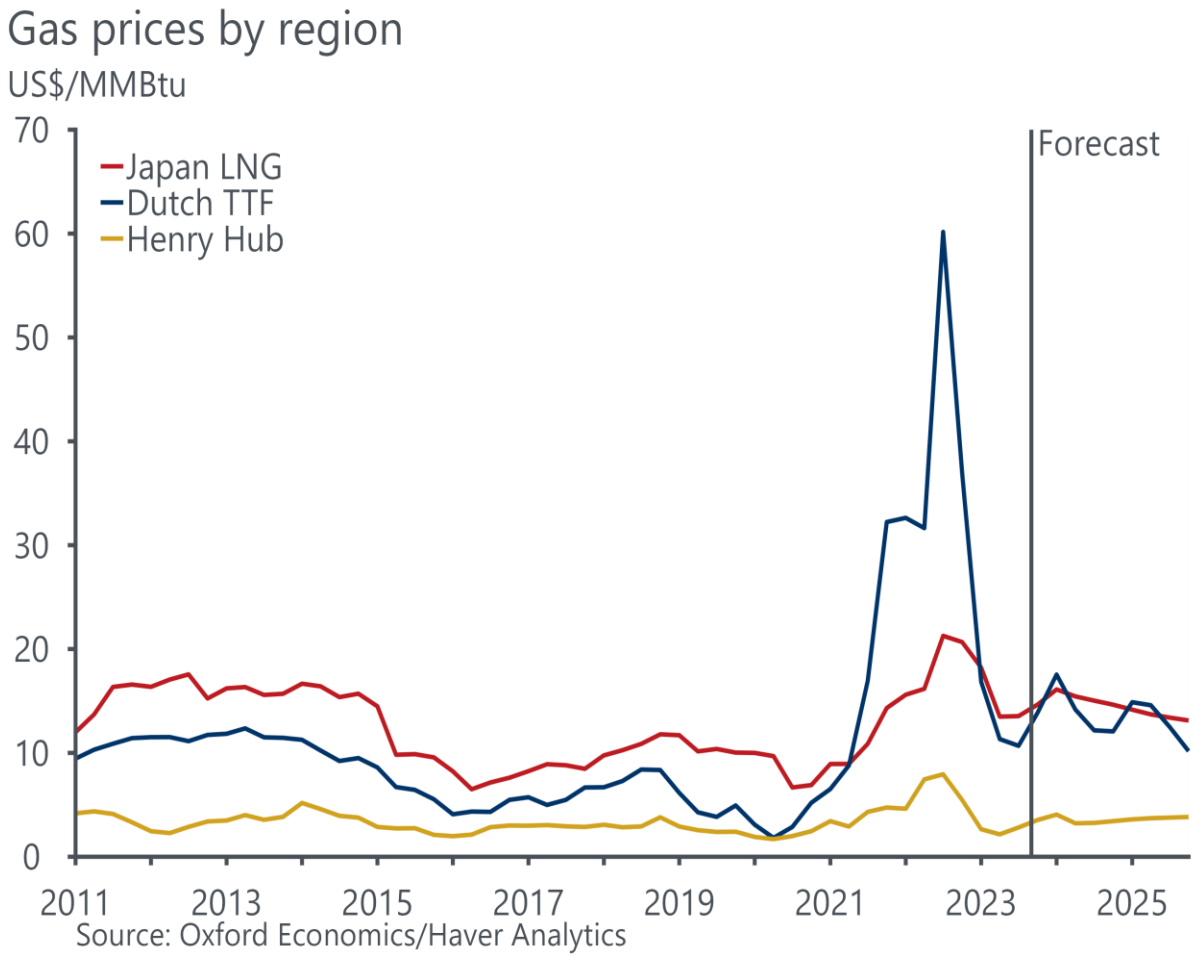
Energy crisis in Europe has stoked further inflation



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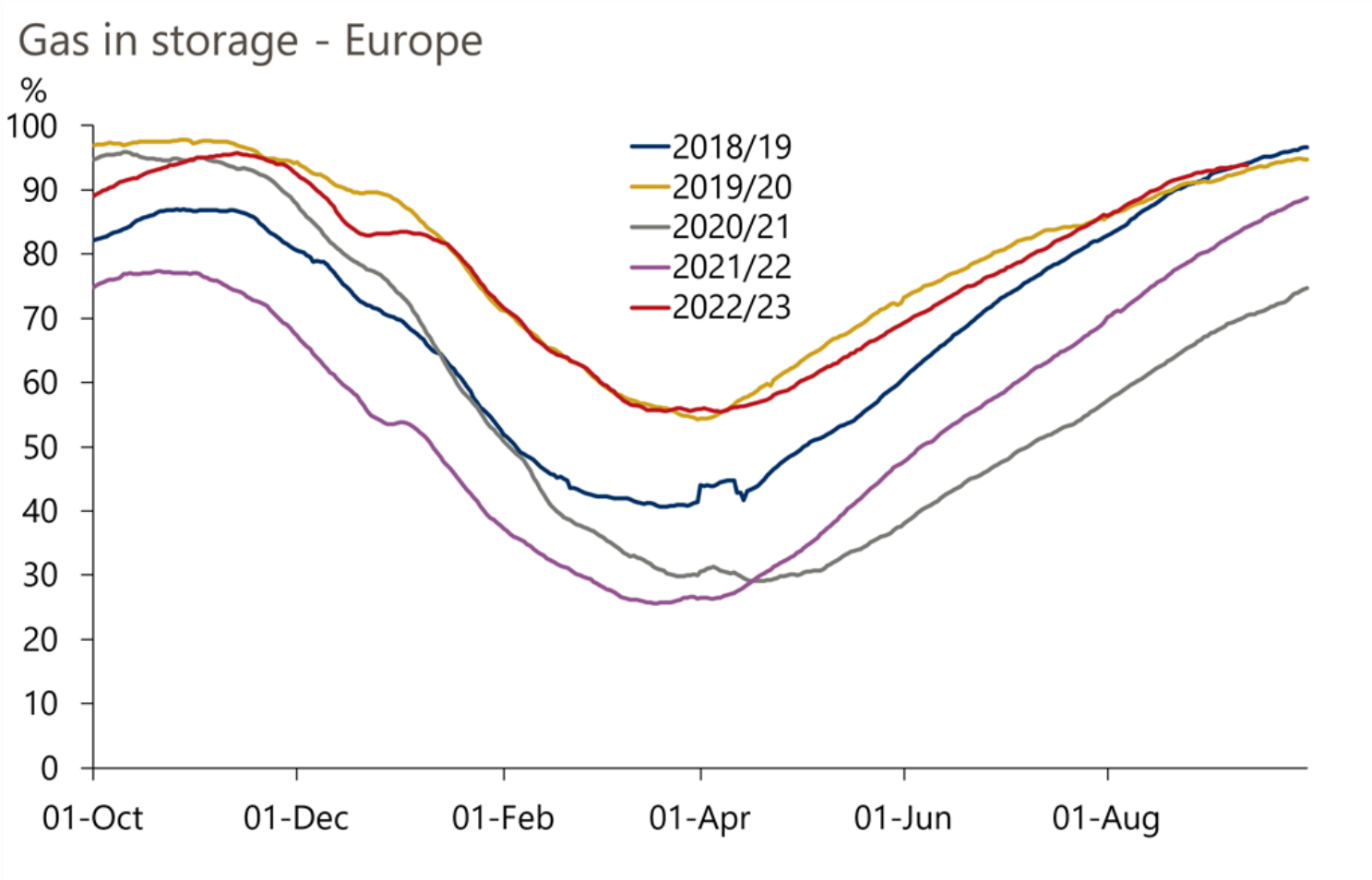
European gas storage is near capacity



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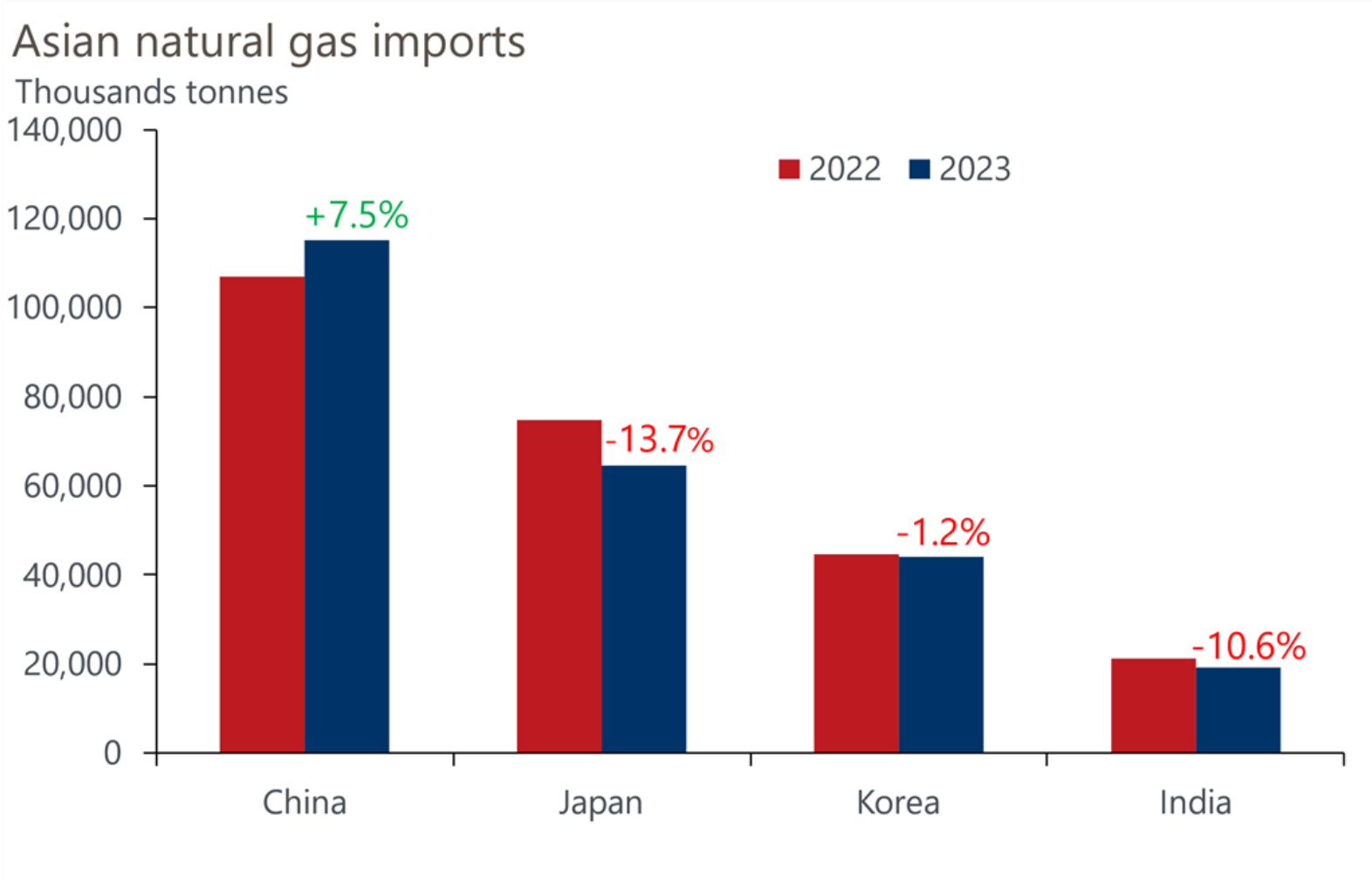
Natural gas imports are down across Asia (… except for China)



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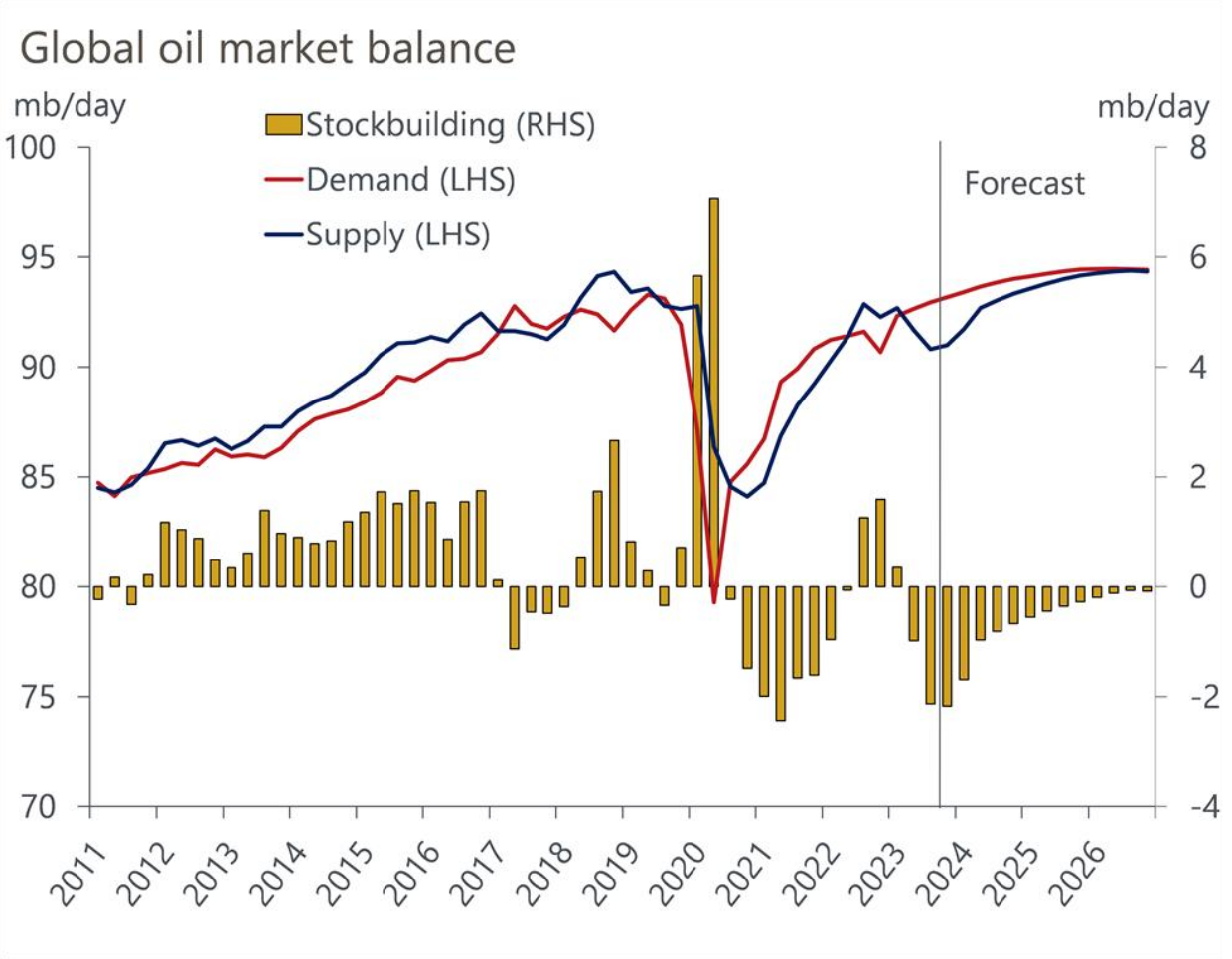
Oil markets are set to remain tight



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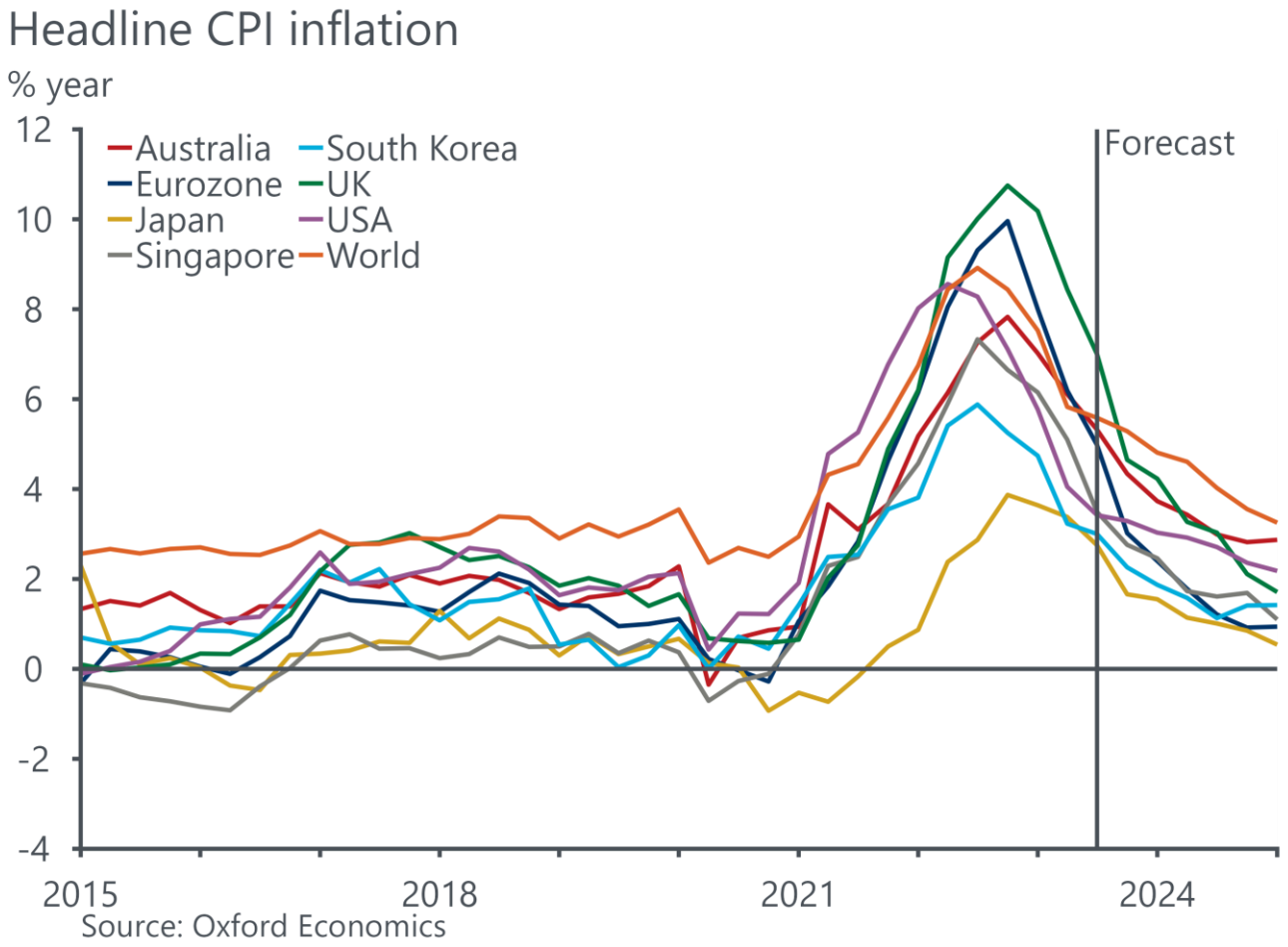
Inflation is set to fall back over the coming years…



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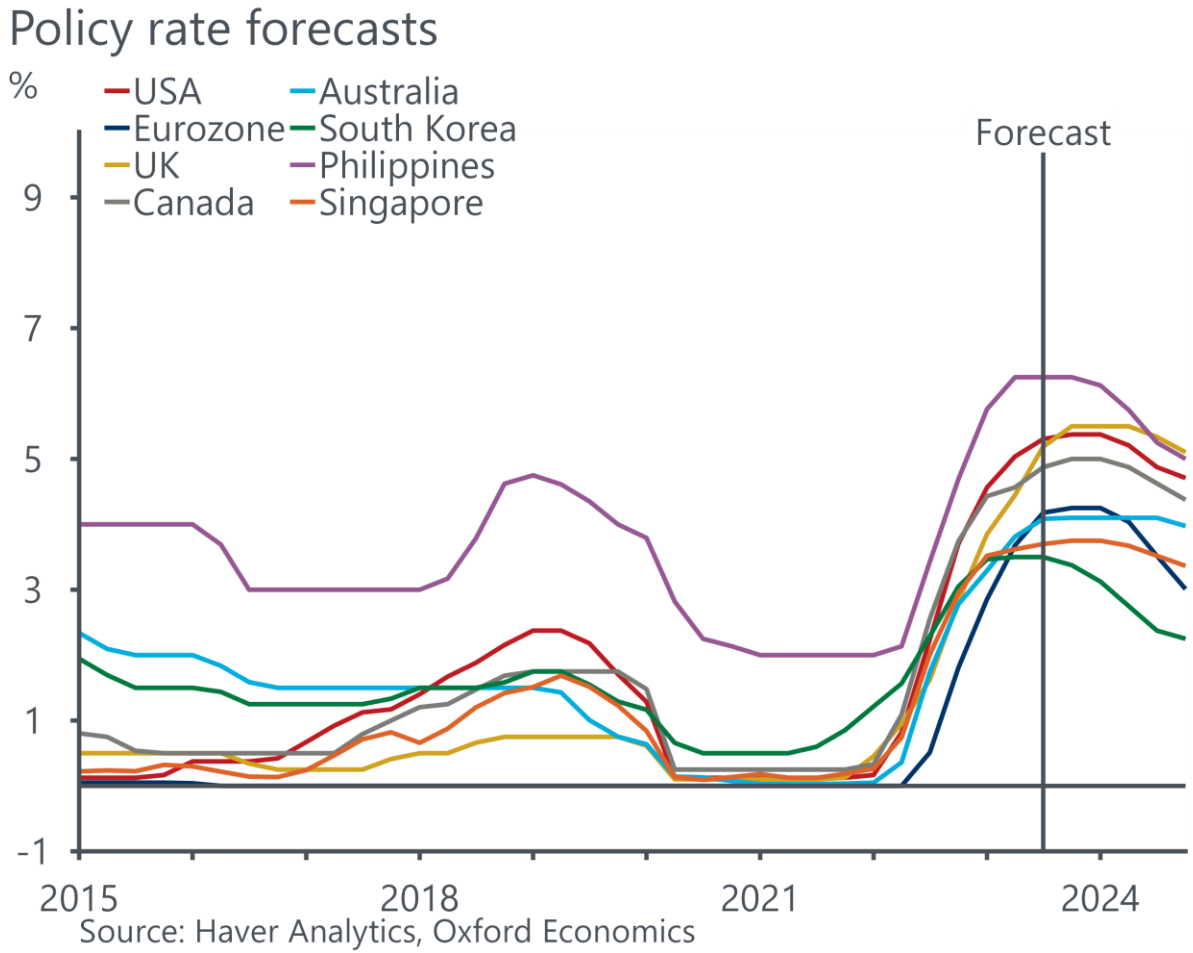
… but will not result in a quick pivot to rate cuts



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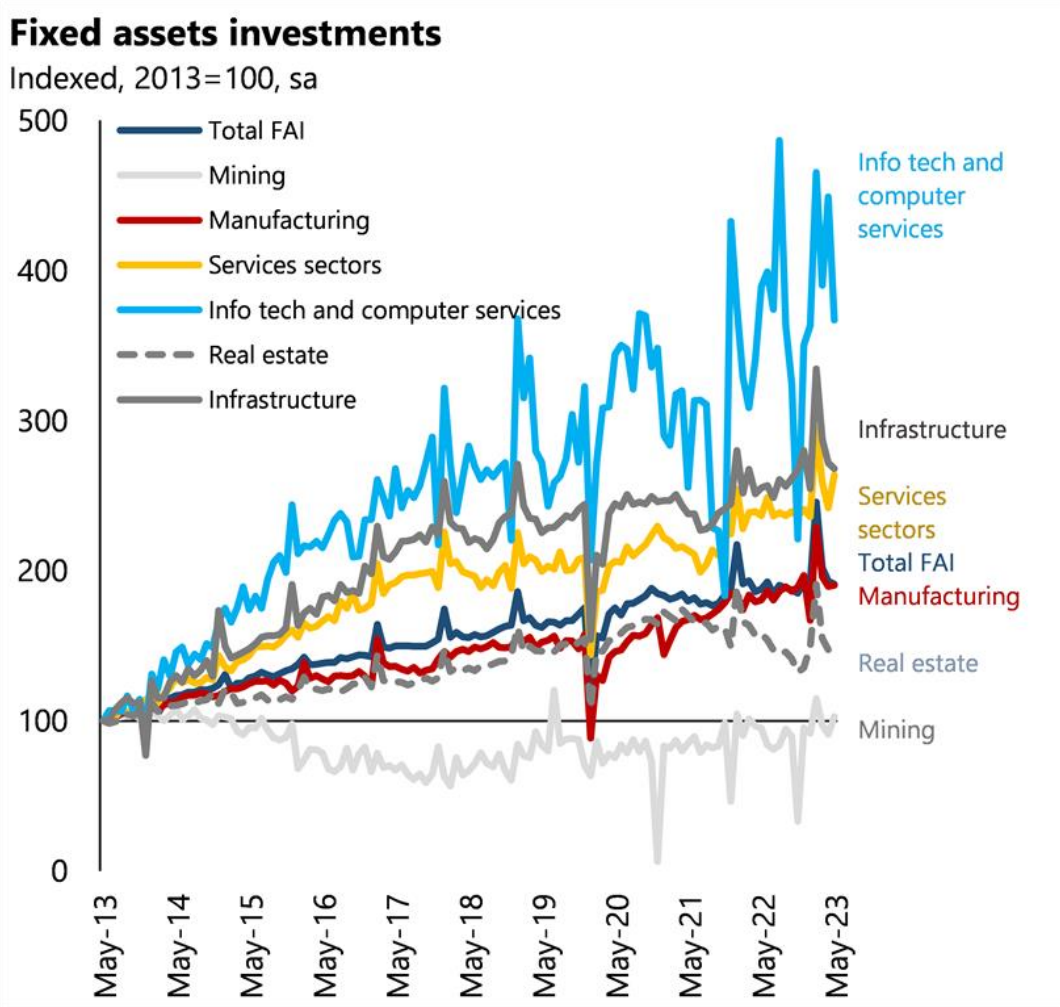
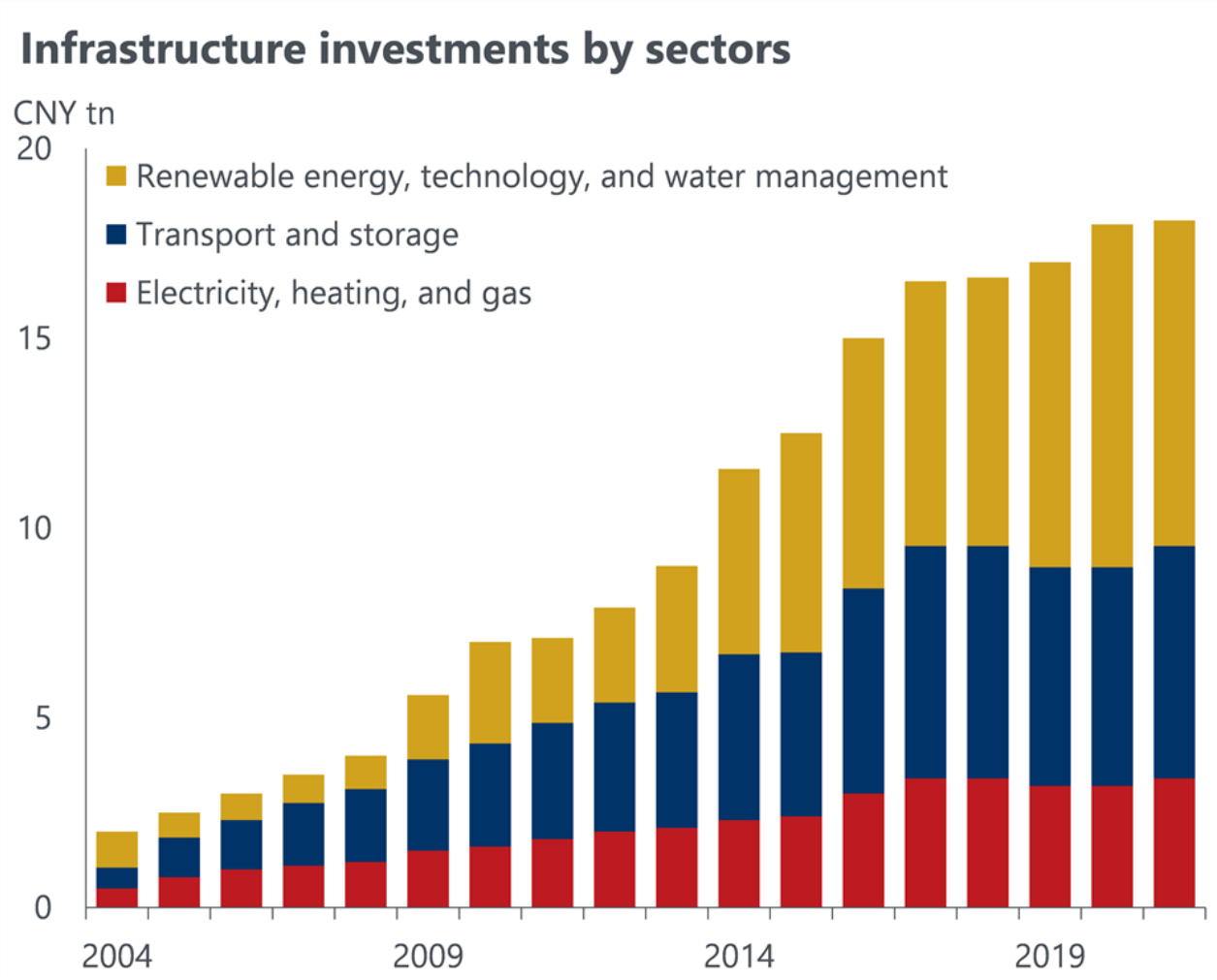
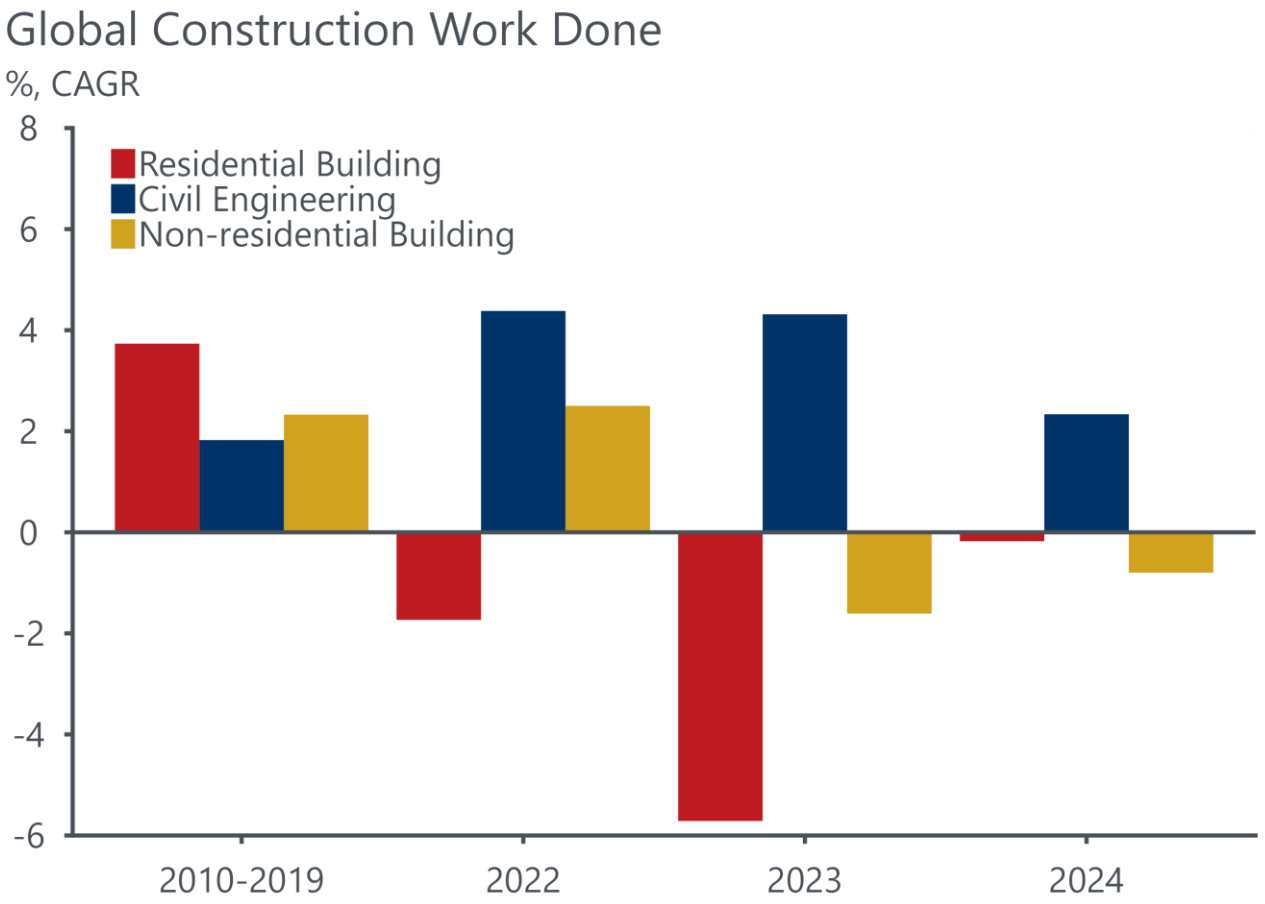
China is facing a difficult transition





Construction Outlook

Governments invest in infrastructure during economic slowdowns …



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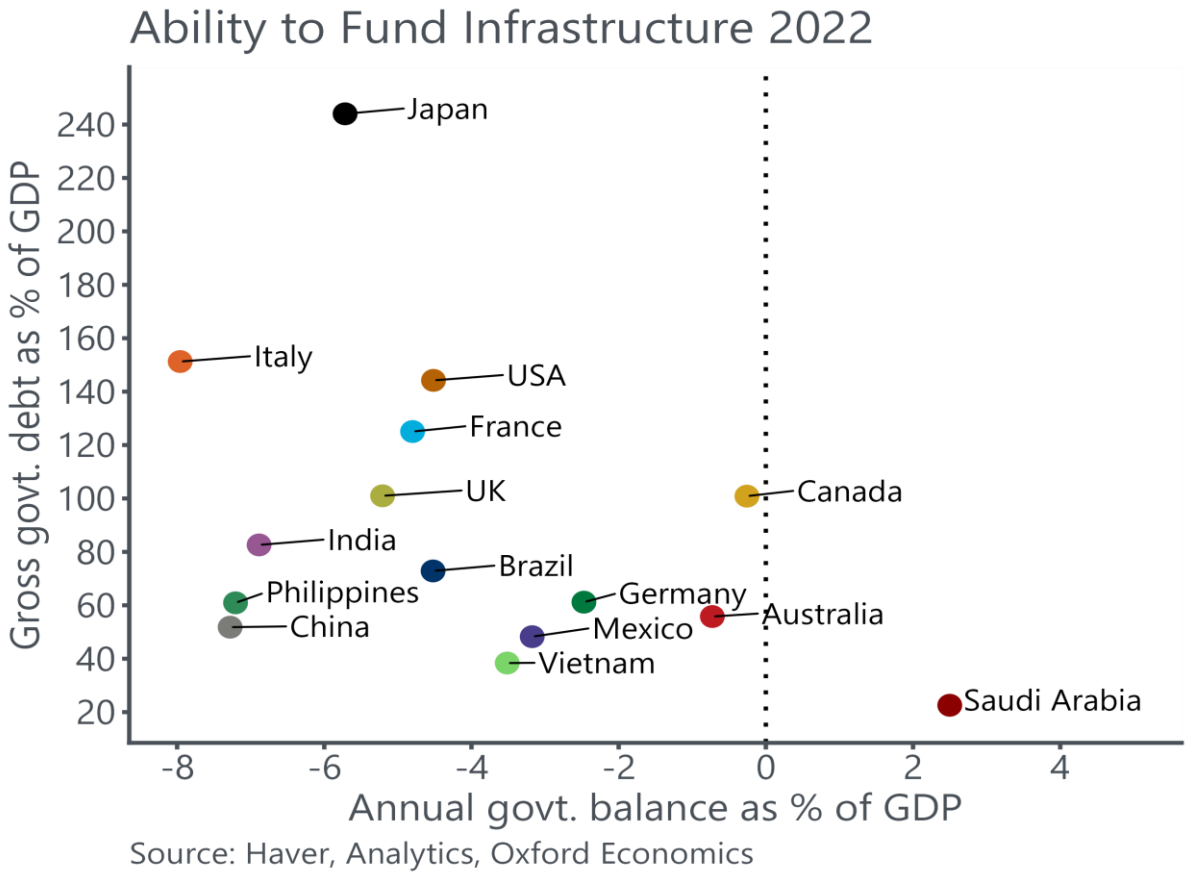
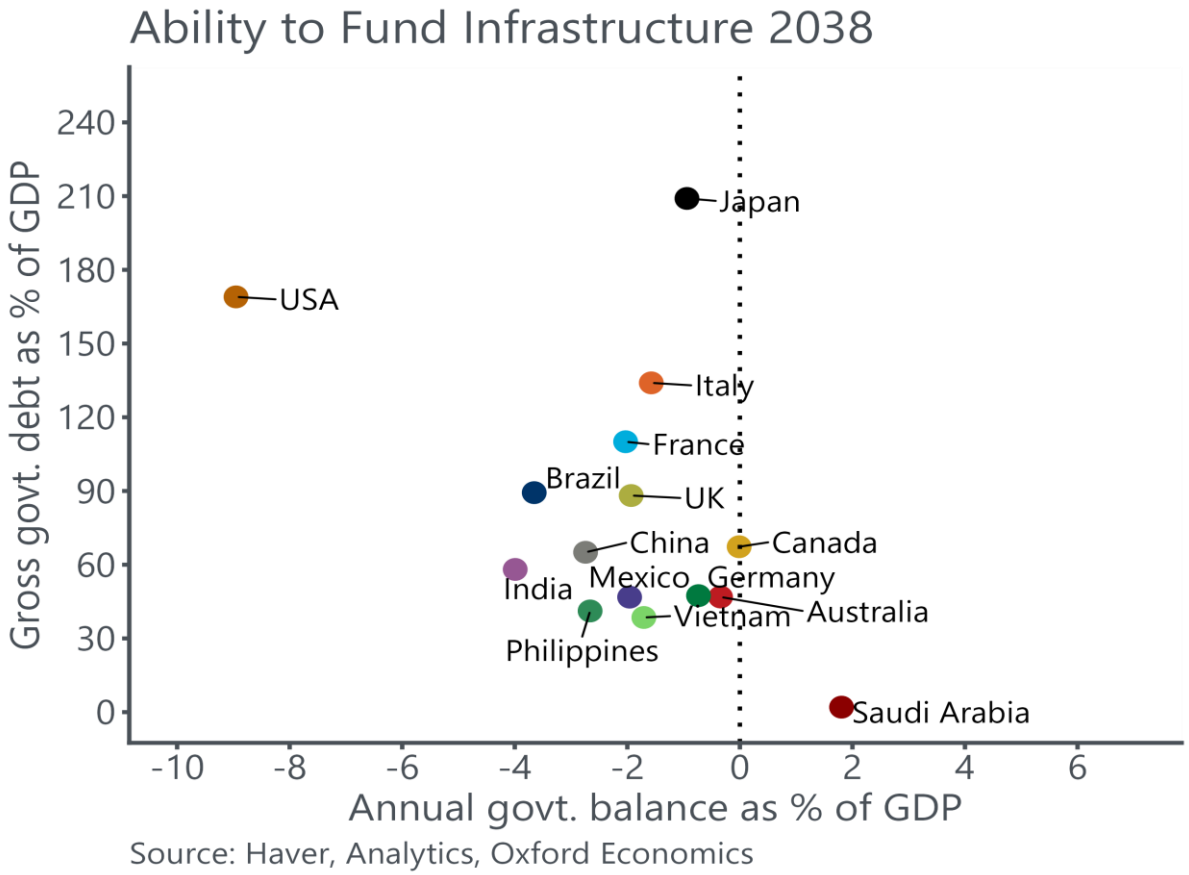
… but debt limits the ability of governments to invest more

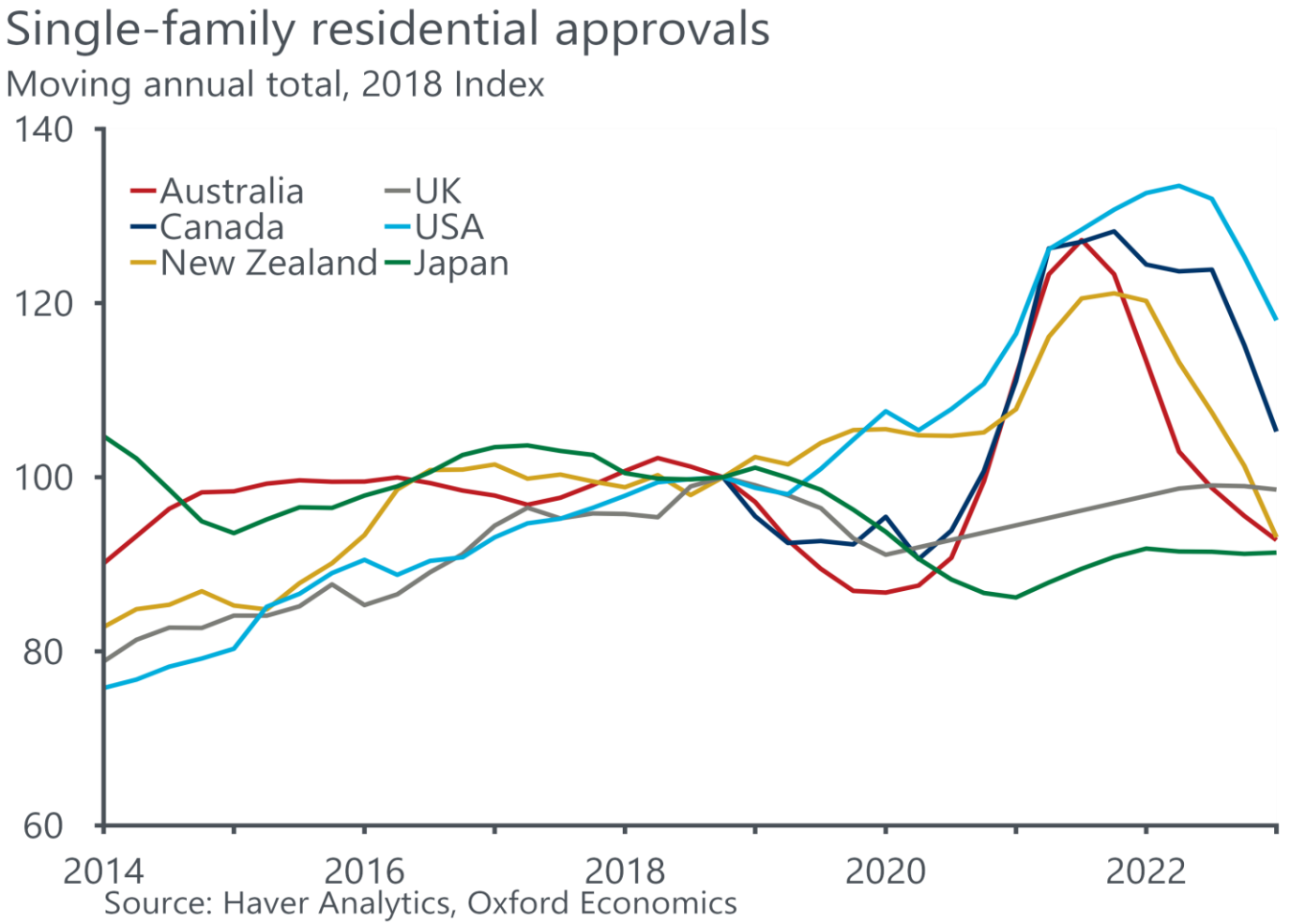


Source: Haver, Analytics, Oxford Economics



Source: Haver, Analytics, Oxford Economics

Build up of savings drove a boom in residential demand…



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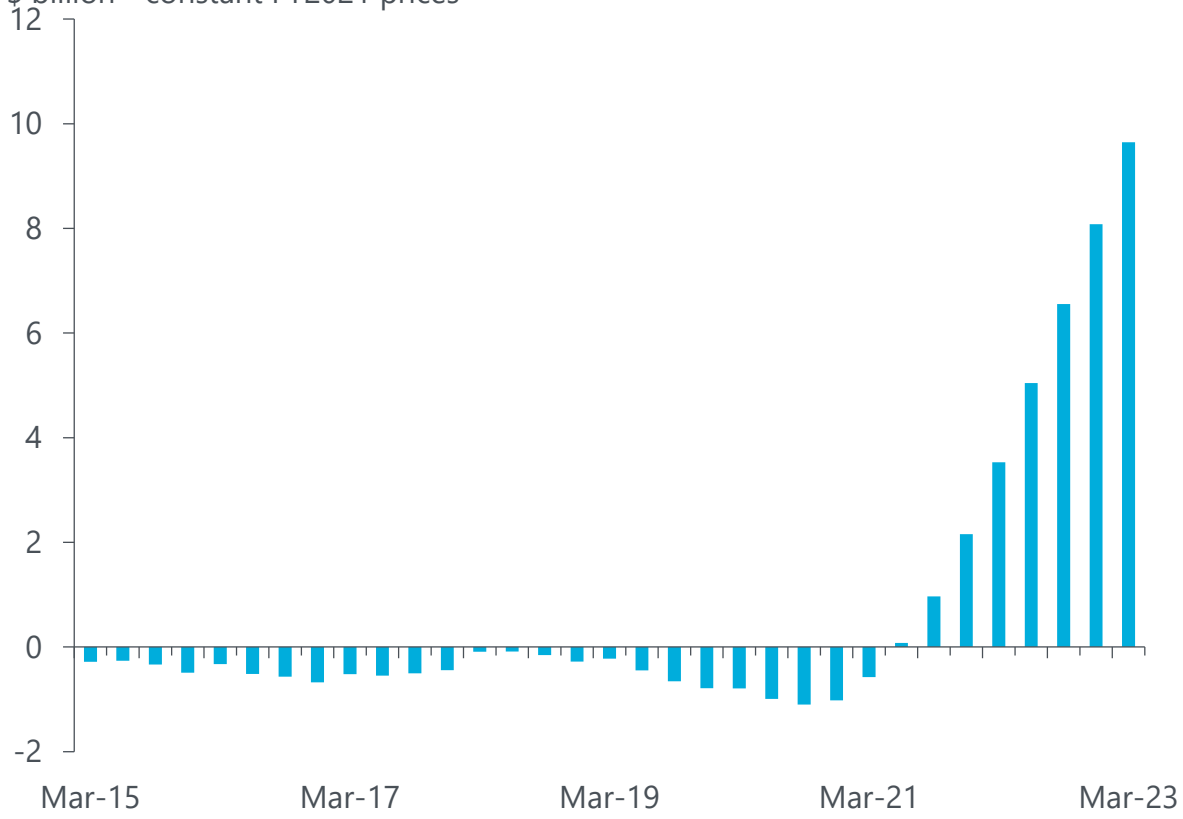
… and a significant backlog of work

House work done backlog above normal, Australia

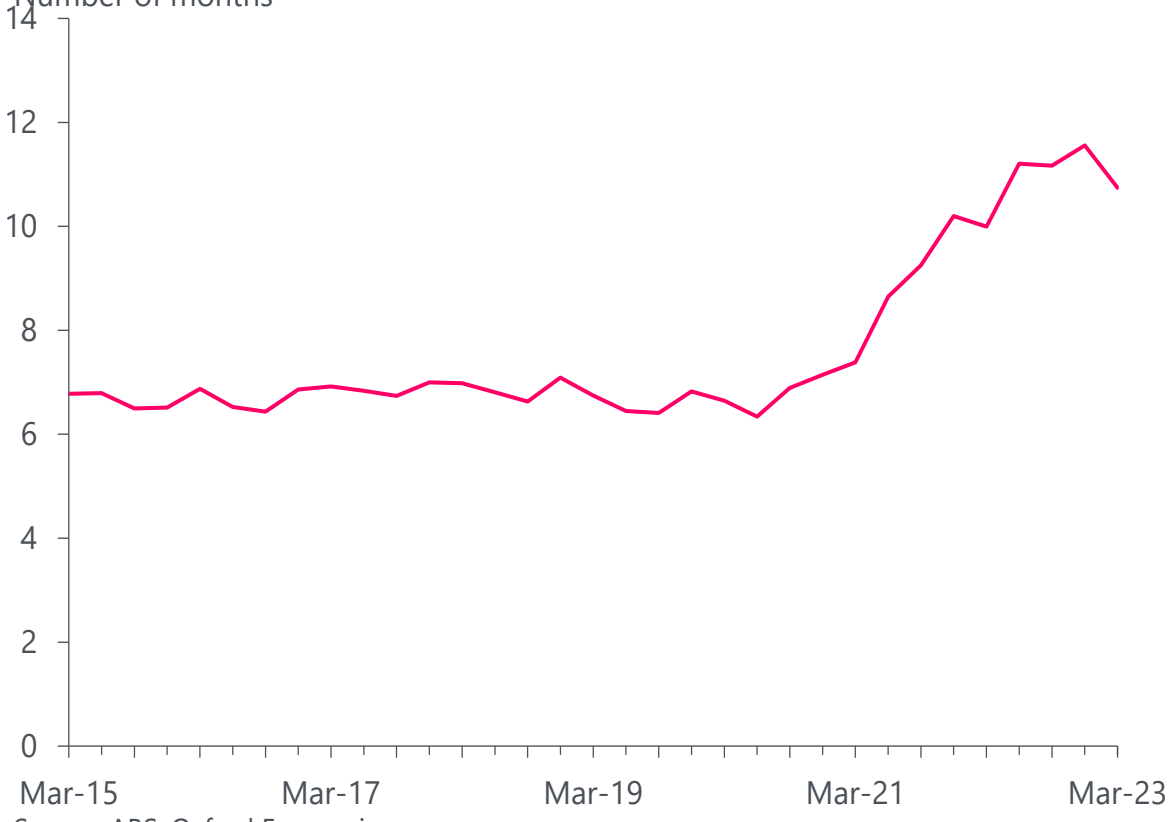
$ billion - constant FY2021 prices



Source: ABS, Oxford Economics

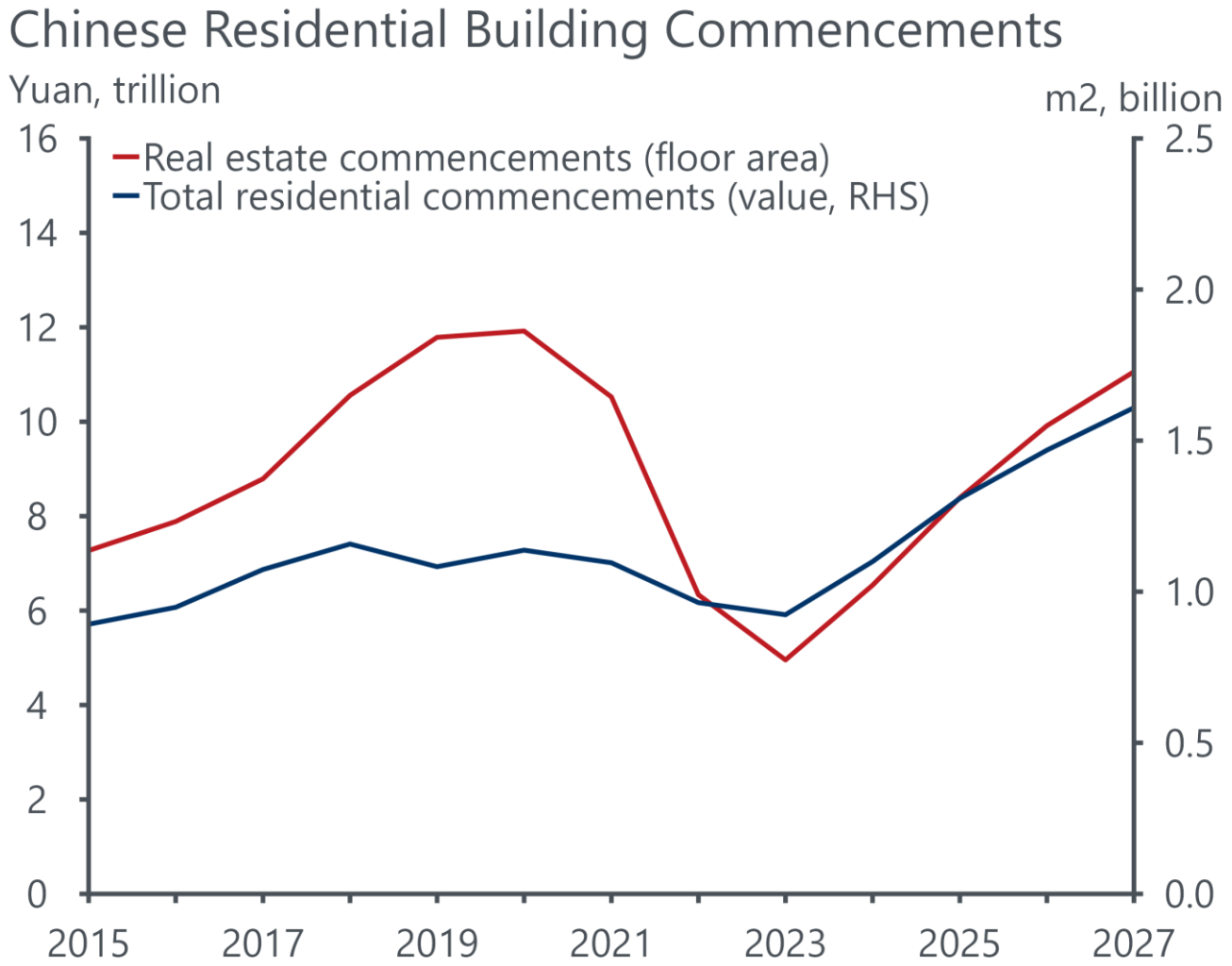
Implied average time to build a house, Australia

Number of months



Source: ABS, Oxford Economics

Chinese real estate commencements remain weak…



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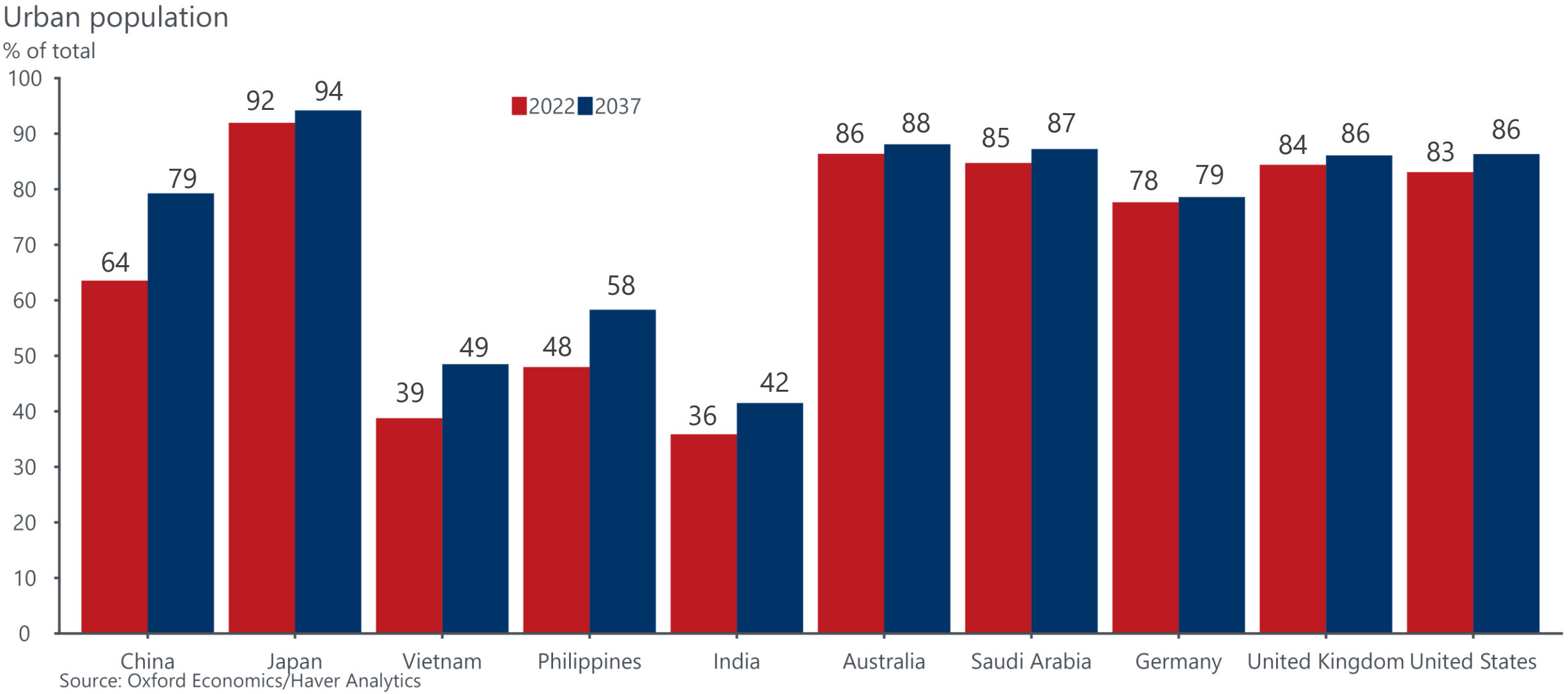
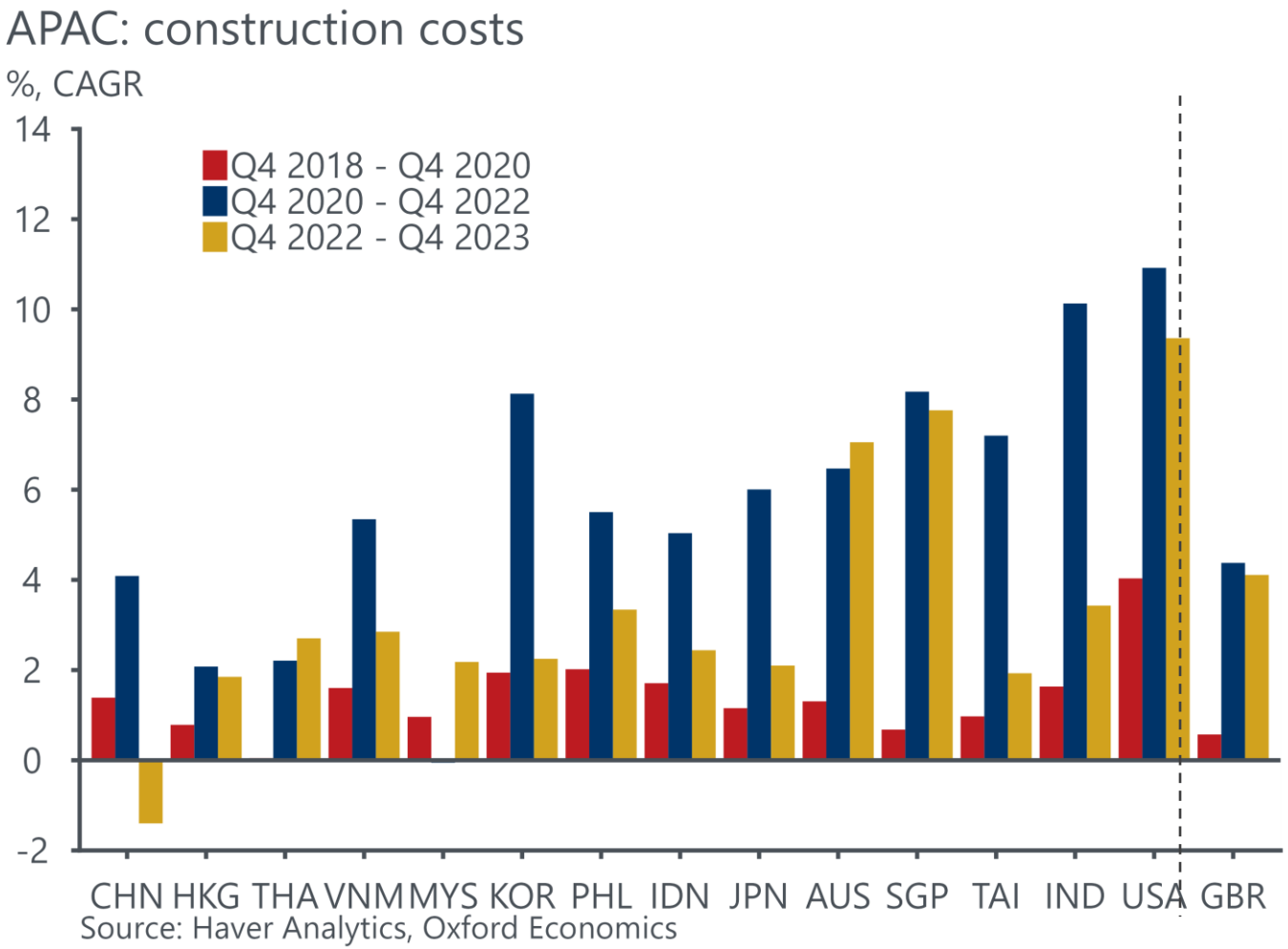
… continued urbanisation will drive long-term growth



Source: Oxford Economics/Haver Analytics

Construction costs have jumped following the pandemic



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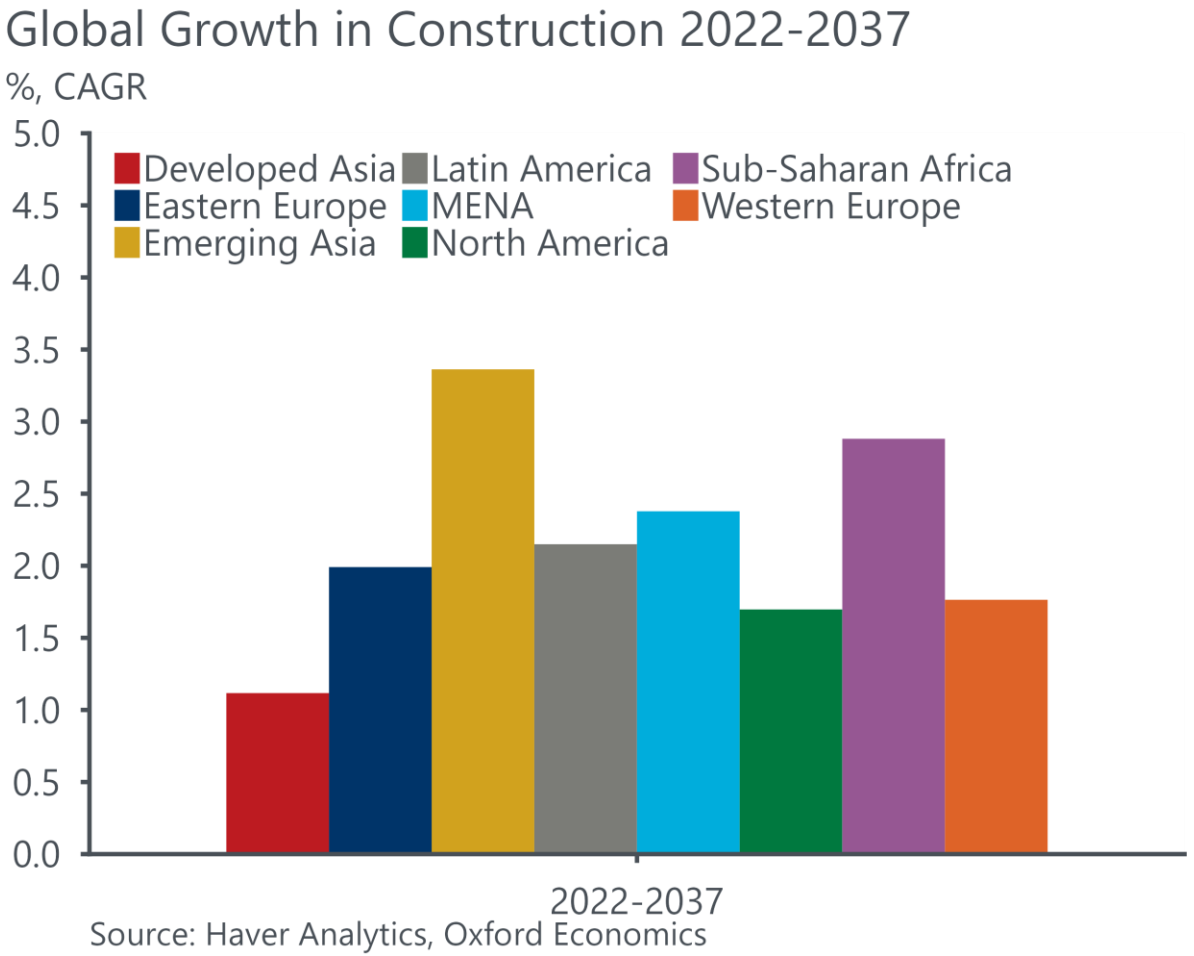
APAC will be the fastest growing construction market



Source: Haver Analytics, Oxford Economics

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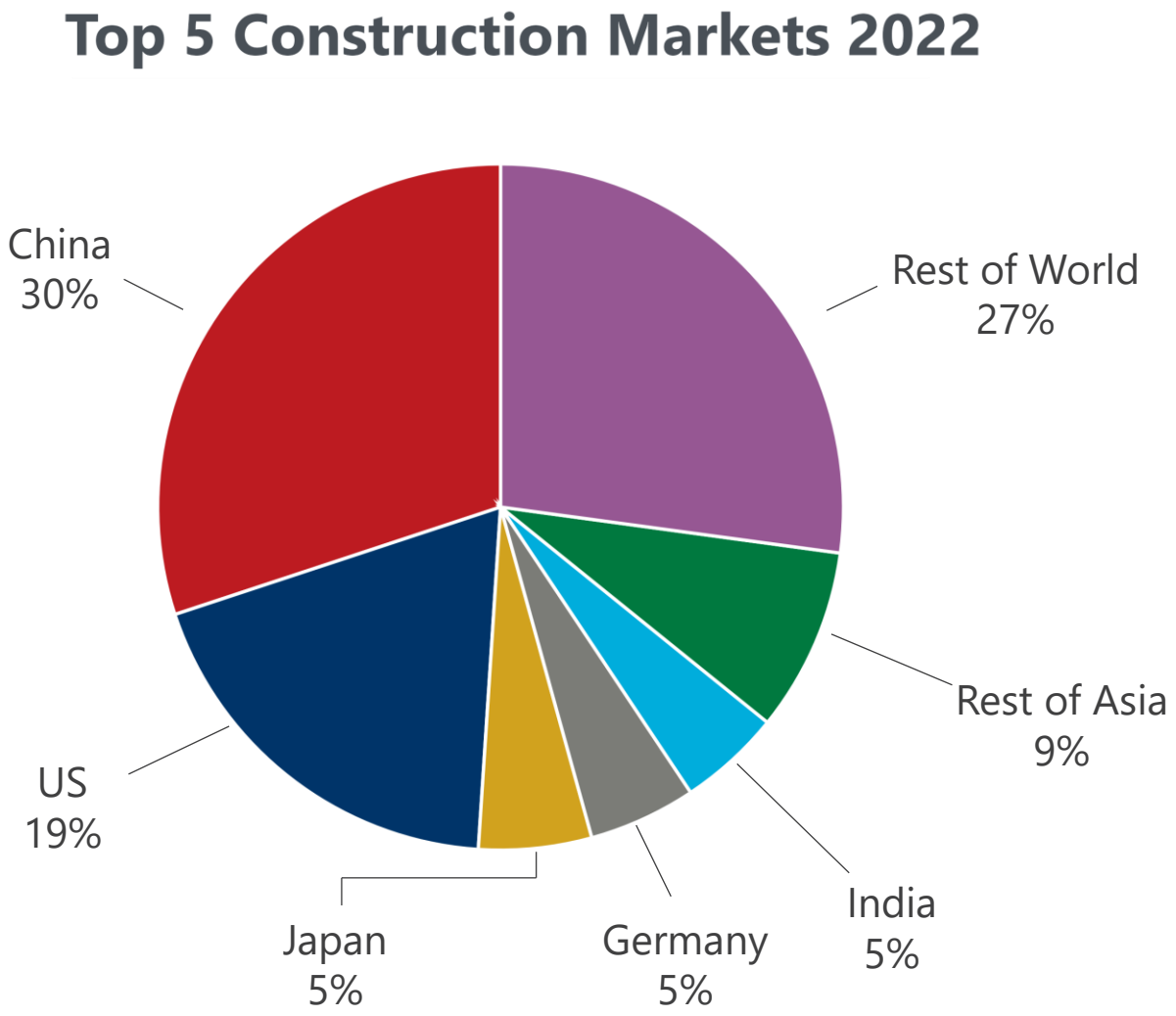
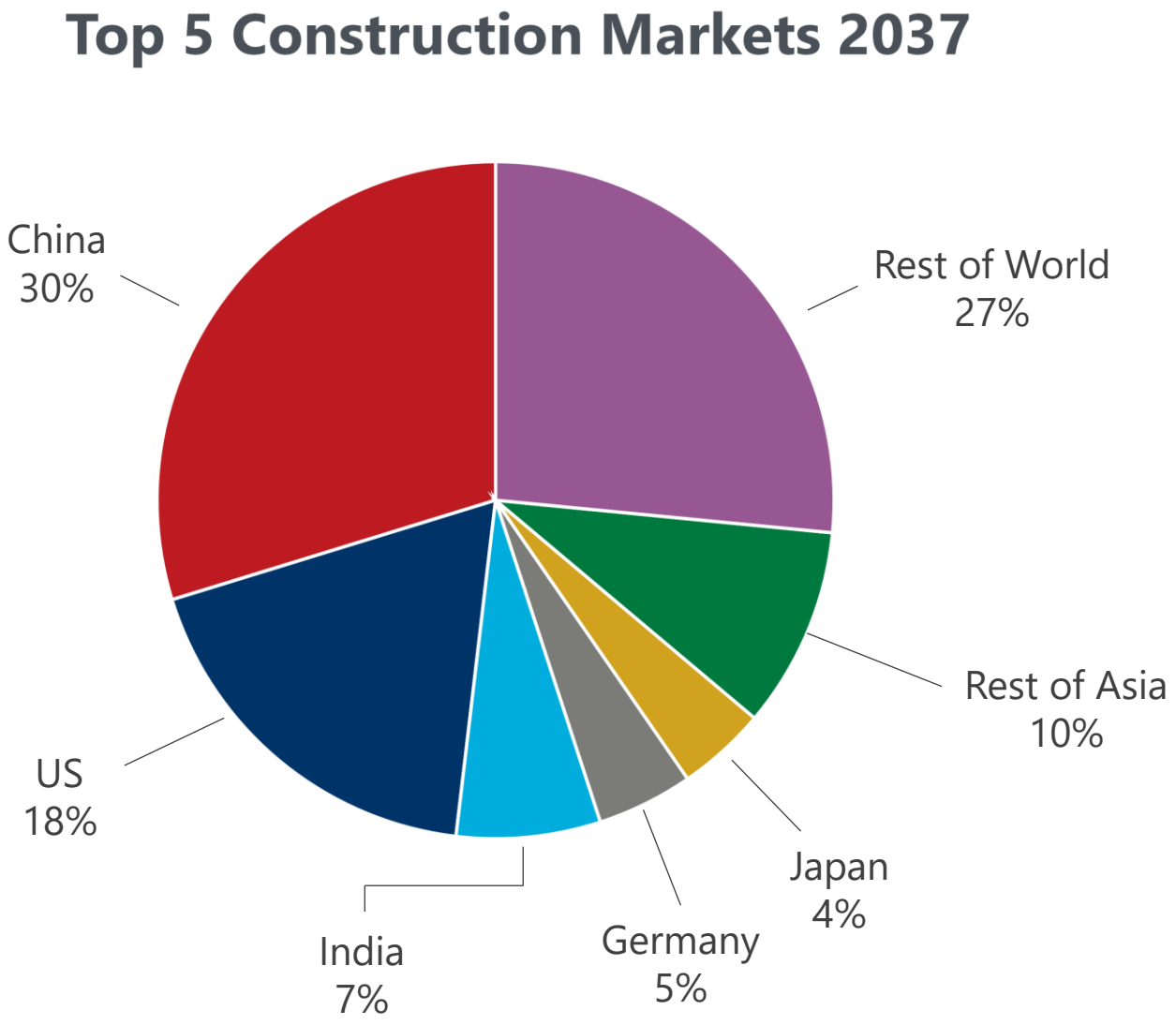
China accounts for almost 30% to total construction activity



Source: Haver Analytics, Oxford Economics

China, US and India will account for over half of total activity



Source: Haver Analytics, Oxford Economics

Questions?

- This presentation is part of the Oxford Economics **Global Construction Service**.
- The service includes detailed sub-sector coverage of construction activity for over **70 countries** accounting for over 90% of global construction activity.
- The service is **updated quarterly**, and includes databank access, a PowerBI forecast dashboard, and a country reports for the top 50 markets.
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Oxford (Headquarters)
Tel: +44 (0)1865 268 900

London
Tel: +44 (0)20 3910 8000

Belfast
Tel: + 44 2892 635400

Milan
Tel: +39 02 8295 2521

Frankfurt
Tel: +49 69 96 758 658

Paris
Tel: +33 (0)1 78 91 50 52

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Tel: +46 (0) 8 446 887 65

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Cape Town
Tel: +27(0)21 863-6200

Dubai
Tel: +971 56 396 7998

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New York
Tel: +1 (646) 786 1879

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Singapore
Tel: +65 6850 0110

Sydney
Tel: +61 (0)2 8458 4200

Hong Kong
Tel: +852 3974 8842

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