



Q1 2020: China Construction and Infrastructure Survey

Workloads decline sharply as pandemic hits

- Headline workloads, business enquiries contract sharply during Q1
- Lack of demand, cost of materials and financial constraints cited as major impediments to output
- Activity expected to bounce back in a year's time

The Q1 2020 RICS China Construction and Infrastructure survey results point to a deterioration in market conditions in the beginning of the year with the coronavirus outbreak heavily weighing on activity.

Total workloads were seen declining sharply with a net balance of -73% noting a fall in Q1 2020. As shown in Figure 1, workloads reportedly fell across all sectors. The private commercial, private industrial and private residential categories posted the steepest quarterly decline (in net balance terms). Alongside this, following three successive quarters of solid momentum throughout 2019, the public residential and other public works segments also saw a significant drop in activity in the latest results.

In line with this trend, a net balance of -45% of survey participants reported a drop in hiring while business enquires were also seen falling sharply. At the same time, the cost of materials were said to have risen in Q1 as were payment delays. This overall appears to have taken on a toll on profit margins with a net balance of -82% of contributors seeing a contraction over a quarter.

Unsurprisingly, 79% of the survey's contributors cite that lack of demand is a significant impediment to activity. Meanwhile, cost of materials and financial constraints are also seen as restricting output.

A shortage of both labour and skills was also noted in the Q1 results with the majority noting an acute lack of for BIM Managers and Quantity Surveyors.

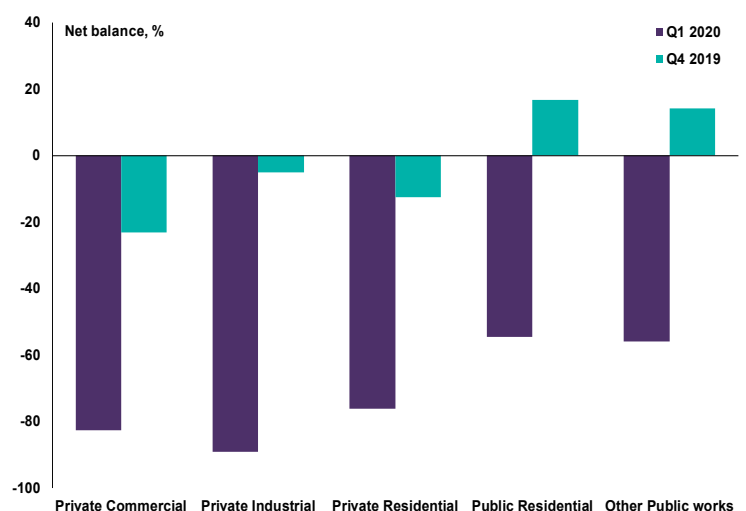
It seems that activity is expected to bounce back as the year progresses. Sentiment over the twelve month horizon appears to be resilient. Both infrastructure and non-infrastructure workloads are anticipated to rise in

the coming year. At the same time profit margins are expected to increase though hiring is anticipated to remain more or less unchanged.

With regards to the outlook for tender prices, in the coming year, a net balance of +72% of respondents expect prices to rise for civil engineering projects. For building projects, a net balance of +66% of contributors anticipate prices to increase in the coming twelve months.

It should be noted that costs are also expected to rise in the same timeframe evidenced by a net balance +78% of contributors expecting an increase in the year ahead (compared to a figure of +61% in the last quarter).

Figure 1: Workloads by sector



Comments from Survey Participants in China



"At present, the epidemic has a great impact on the global construction industry. The situation in the first half of the year is not optimistic, and the opportunities and risks coexist in the second half. But overall construction costs will rise, and it is expected that the state will invest in infrastructure and public facilities to boost the market."

-Chengdu



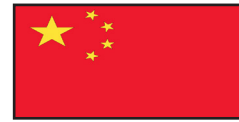
"Affected by the current epidemic, the manufacturing industry has been hit hard, the overall trend of building material prices is downward, and the labor market is estimated to be stable. However, the cost of catching up, epidemic prevention and control costs, and the performance disputes between parties A and B may increase later."

-Hefei



"Due to the impact of the new crown epidemic, the supply of some imported electronic products (such as control modules, electrical appliances, etc.) and imported decoration materials (such as sanitary ware, cabinets, etc.) is not timely, which affects the delay of the construction period and will cause the purchase price of such products to rise in the short term."

-Shanghai



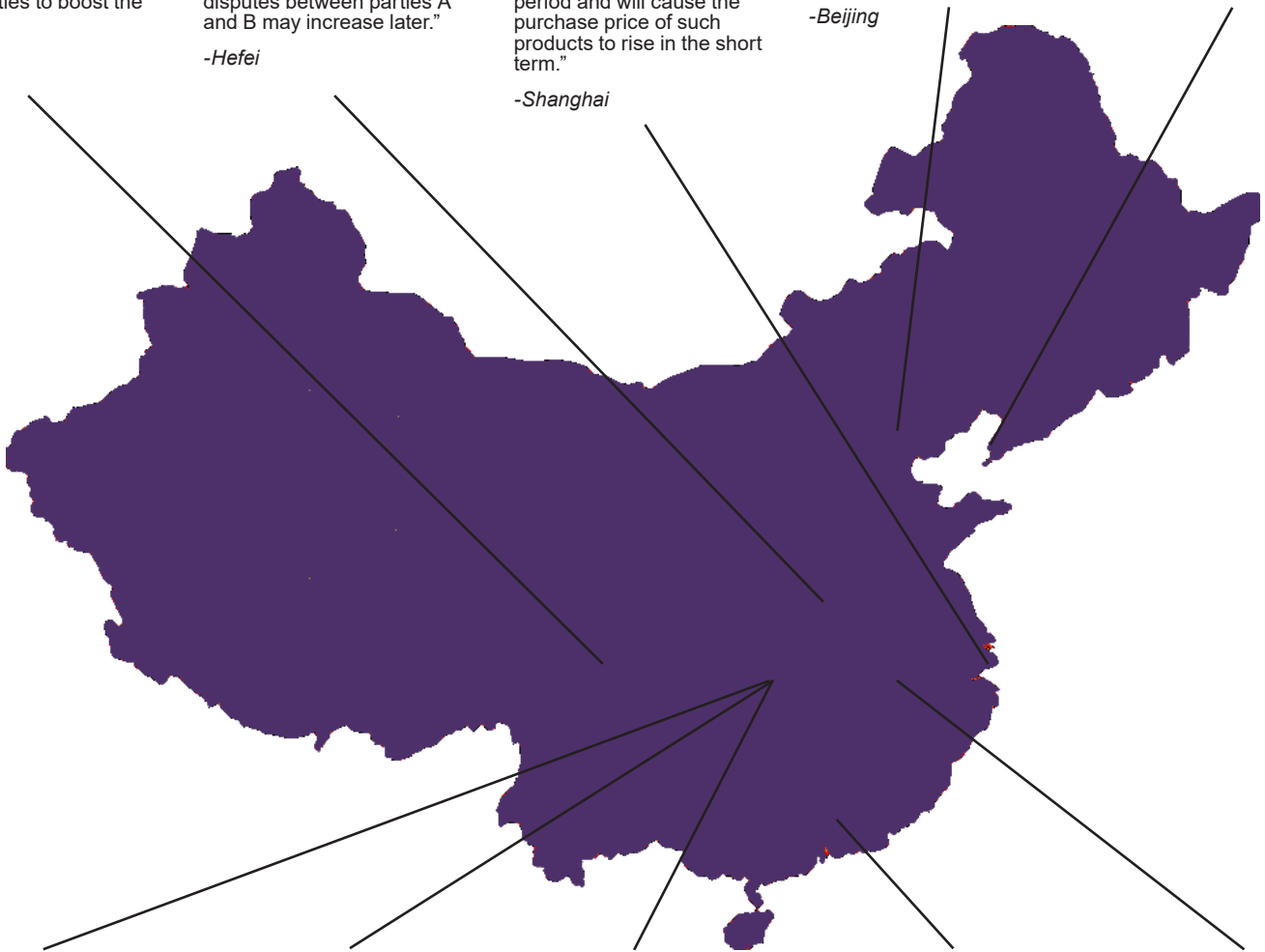
"The main impact is on whether the policy can liberalize purchase restrictions and financial cost reductions, and both open source and savings require strong policy support. Otherwise, there will be no further industrial development without cash flow."

-Beijing



"Government projects or public utility projects tend to choose central enterprises to avoid any decision-making responsibilities and risks, making it more difficult for local and private construction companies to survive."

-Dalian



"The concentration of labor unions after the epidemic caused labor and material costs to rise in the short term."

-Wuhan



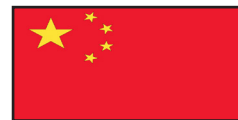
"Although the current epidemic in China can be controlled, as the epidemic center-Wuhan, it is still not possible to relax control. The economic recovery still needs a process. Negative foreign economic growth will inevitably affect the domestic market. There will be a lot of improvement."

-Wuhan



"The new crown epidemic in 2020 will bring economic stagnation, investment in infrastructure will increase, and the industry development model and form will also change."

-Wuhan



"The occurrence of new coronavirus pneumonia is expected to have a greater impact on the shortage of workers and increased costs in the construction market."

-Guangzhou



"In addition to the well-known factors, the impact of this epidemic on transportation, transportation, and labor should be paid special attention to."

-Huangshan

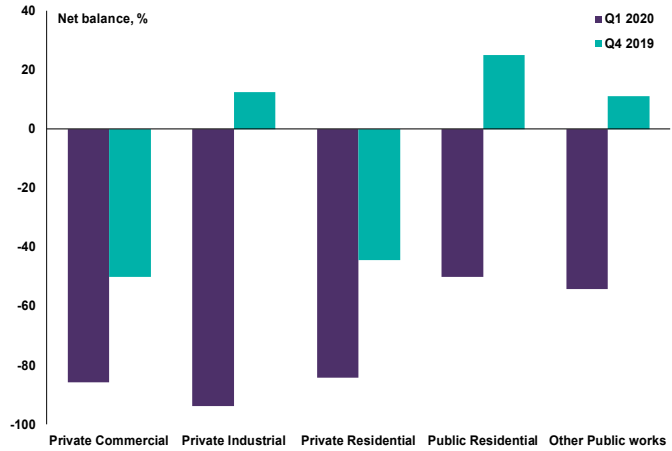
Regional Charts - Eastern Region

Participants from the Eastern Region report a decline in workloads in all segments in Q1. Likewise, infrastructure workloads were all seen falling across the board.

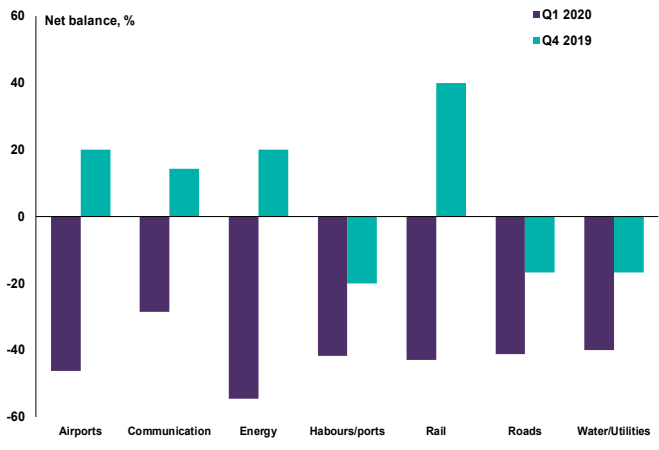
There are signs that this downbeat picture is likely to persist over the coming months. Contributors have reported a decline in hiring and in new business enquiries. At the same time, costs of materials and payment delays were said to have risen putting further pressure on the profit margins which were reported to have contracted over the quarter.

Participants do appear to be optimistic with regards to the outlook for the coming year. Workloads (both infrastructure and non-infrastructure) are anticipated to rise in the coming twelve months. Profit margins are also expected to improve, while no change in hiring is anticipated.

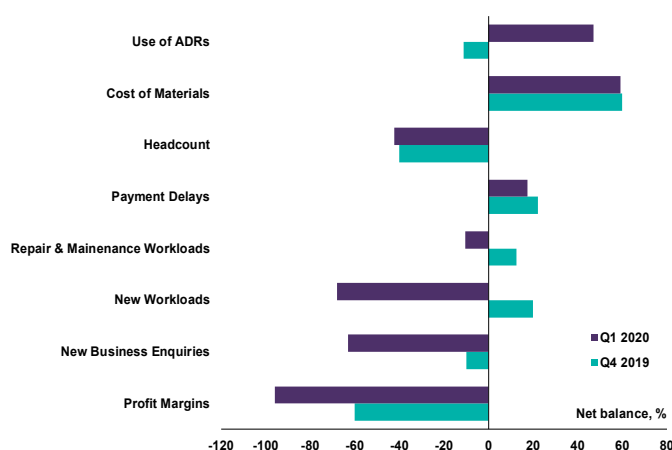
Workloads



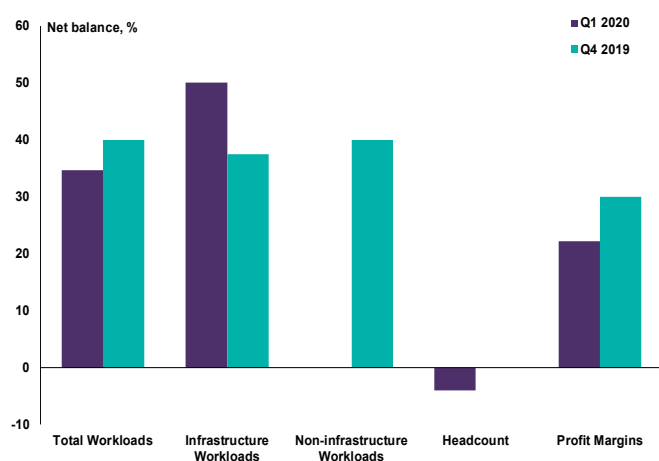
Infrastructure Workloads



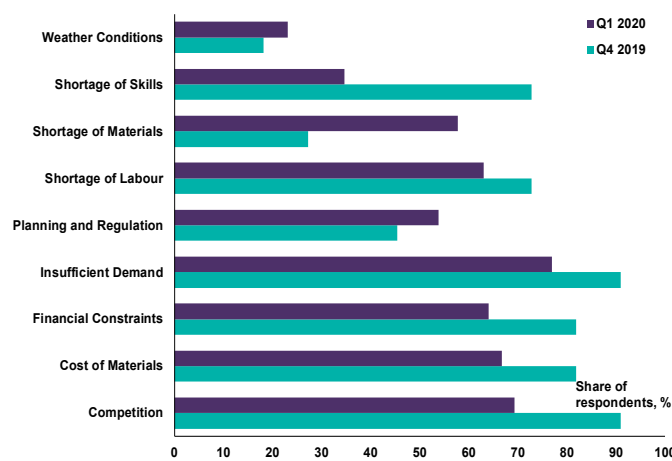
Current Conditions



12-month Expectations



Factors Holding Back Activity



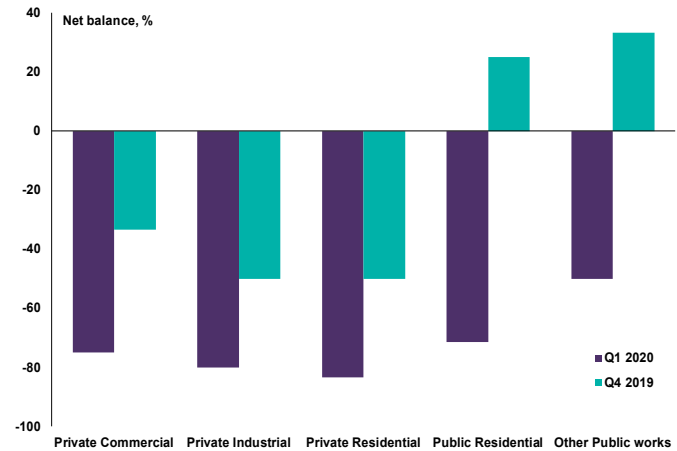
Regional Charts - Northern Region

Conditions in the Northern Region are little different from the national picture with activity reported to have fallen materially in the start of the year on the back of the Covid-19 pandemic. A net balance of 88% of contributors reported a decline in workloads over the quarter, with activity falling across all market segments.

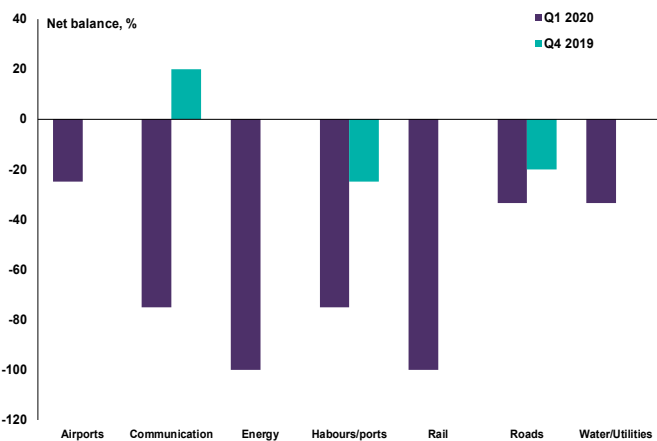
Momentum looks likely to remain subdued over the coming months as contributors report a material drop in new business enquiries and profit margins while payment delays and cost of materials were seen rising.

Still, it seems that workloads are anticipated to rebound over the next twelve months. A pick-up in activity is expected in both infrastructure and non-infrastructure workloads categories in the coming year. In spite of this however, firms are anticipated to reduce headcount.

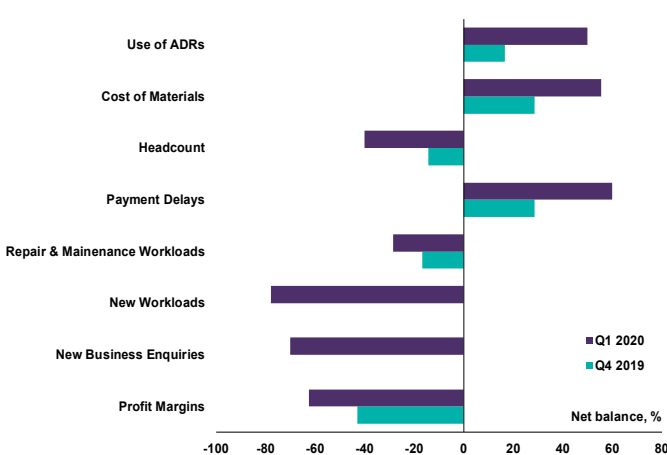
Workloads



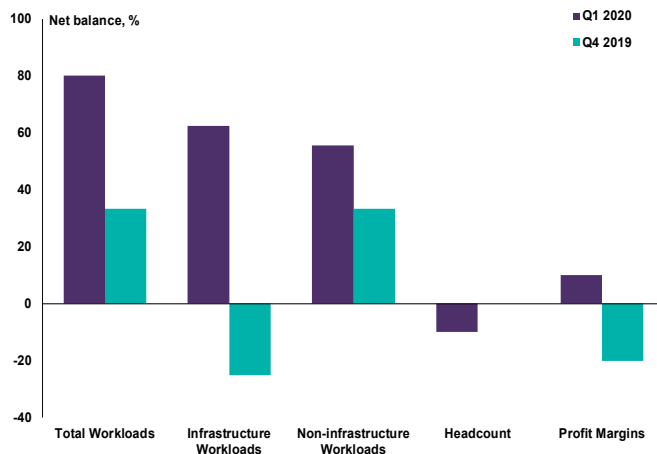
Infrastructure Workloads



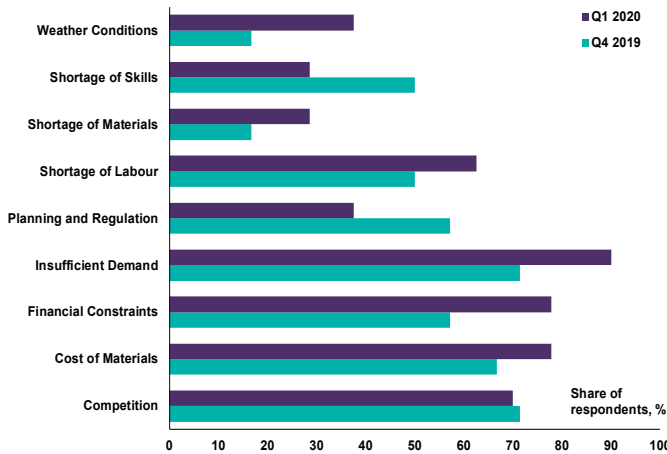
Current Conditions



12-month Expectations



Factors Holding Back Activity



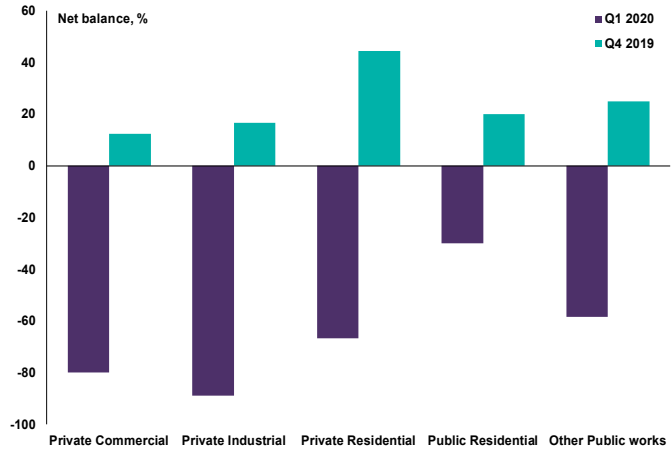
Regional Charts - South Central Region

Momentum appears to have slipped materially in the first three months of the year amid the coronavirus outbreak. After a rise in workloads was noted across all segments of the construction sector in Q4 2019, contributors now report a significant decline in activity across the board.

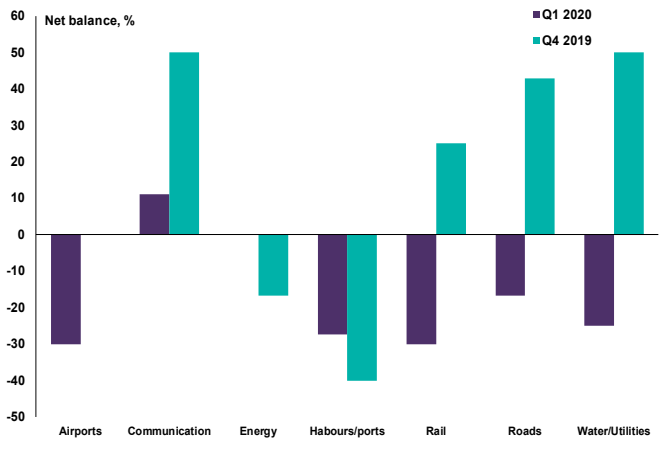
In line with this trend, new business enquiries and headcount were seen slipping in Q1 while profit margins were also said to have contracted further.

Nonetheless, momentum is envisaged to pick-up over the twelve month horizon. Significantly, average twelve months expectations for total workloads edged up over the quarter (in net balance terms). Alongside this, contributors are anticipating an increase in profit margins and hiring in the coming year.

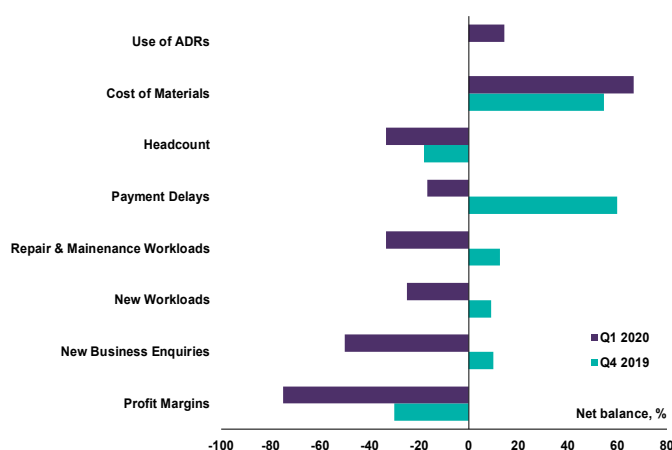
Workloads



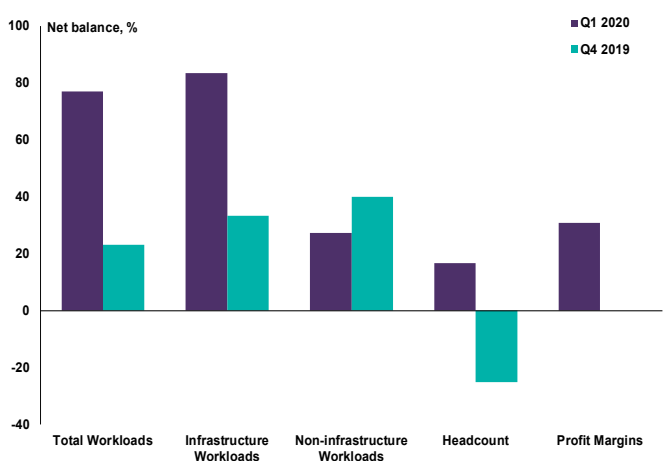
Infrastructure Workloads



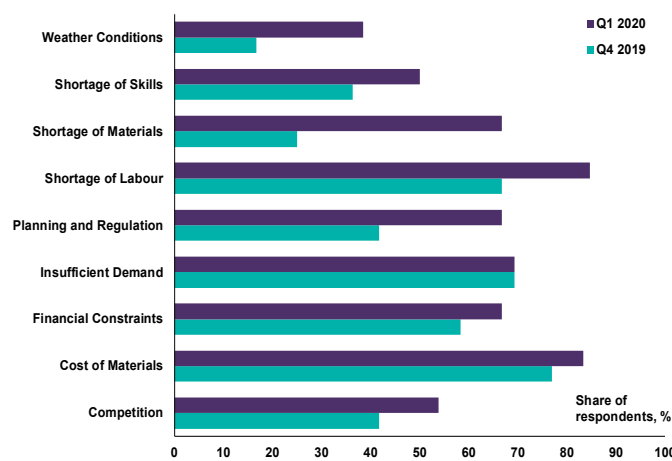
Current Conditions



12-month Expectations



Factors Holding Back Activity



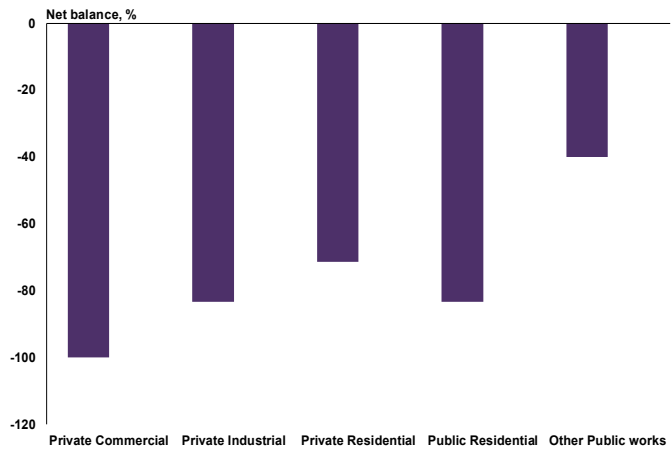
Regional Charts - Southwest Region

The picture for the Southwest Region's construction and infrastructure sector appears to be downbeat. Activity has reportedly fallen significantly in the first quarter of the year amid the coronavirus outbreak. Indeed, workloads were reported to have slipped across the segments in Q1. Likewise, infrastructure workloads also declined across all categories.

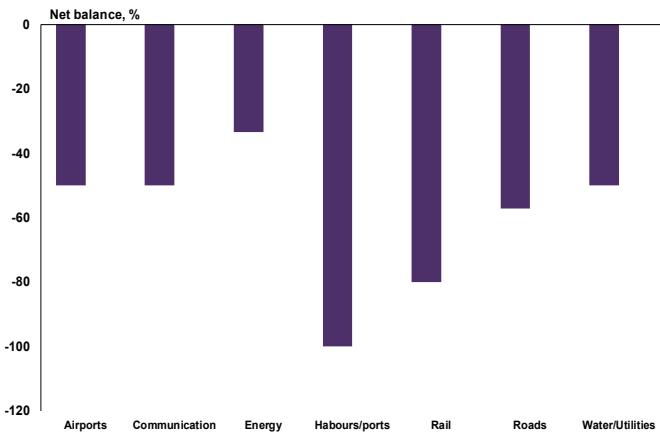
In line with this trend, participants reported a fall in both business enquires and hiring while payment delays and cost of materials were said to be rising. On the back of these market dynamics, profit margins deteriorated.

However contributors do believe that momentum will pick-up in the coming year. Indeed, average twelve month expectations are positive for workloads while profit margins and hiring are also anticipated to rise on the same basis.

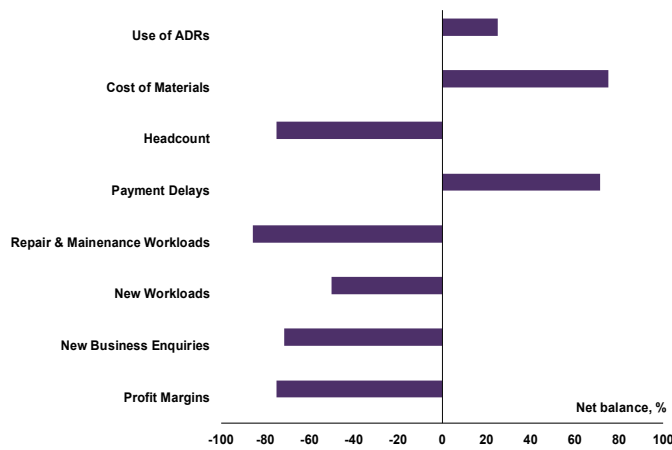
Workloads



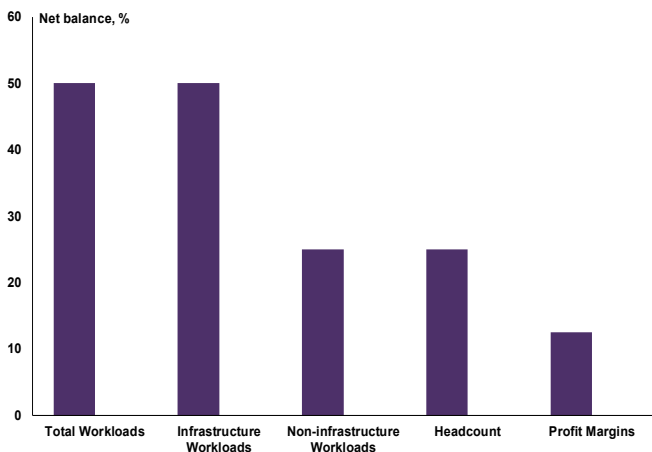
Infrastructure Workloads



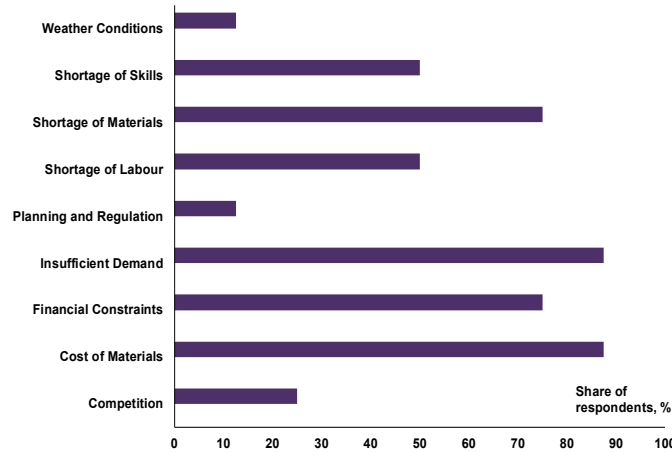
Current Conditions



12-month Expectations



Factors Holding Back Activity



RICS Consensus Tender Prices & Construction Costs (Next 12 months)

	Tender Prices		Construction Costs		
	Building	Civil Engineering	Commercial	Residential	Total
North America	+2.1%	+1.8%	+1.7%	+1.4%	+1.9%
Canada	+2.0%	+1.7%	+1.6%	+1.3%	+1.9%
British Columbia	+0.5%	+0.6%	+0.4%	+0.5%	+1.2%
Ontario	+3.4%	+3.1%	+3.2%	+3.1%	+3.2%
Praries & Territories	-1.0%	-1.2%	-1.0%	-1.1%	-0.3%
USA	+2.4%	+2.0%	+2.4%	+1.7%	+1.8%
Northeast	+2.3%	+0.2%	-0.6%	-0.5%	+0.7%
South	+4.1%	+4.4%	+3.4%	+1.6%	+4.1%
West	+1.2%	+1.3%	+3.1%	+2.9%	+0.8%
Asia Pacific	+1.2%	+1.6%	+2.1%	+1.9%	+2.3%
Australasia	+0.8%	+2.1%	+1.8%	+1.4%	+2.1%
Australia	+0.9%	+2.5%	+2.0%	+1.2%	+1.8%
New South Wales	+0.1%	+2.2%	+0.7%	+0.1%	+0.6%
Queensland	+2.6%	+4.9%	+4.2%	+3.1%	+3.5%
Victoria	+0.8%	+1.1%	+2.3%	+1.8%	+2.5%
Western Australia	+0.8%	+1.7%	+1.4%	+0.7%	+1.5%
New Zealand	+0.8%	+1.8%	+1.8%	+1.8%	+2.4%
North Island	+1.1%	+2.3%	+2.2%	+2.6%	+2.9%
South Island	-0.7%	-0.3%	+0.3%	-1.0%	+0.8%
East Asia	-0.1%	+0.1%	+1.0%	+0.8%	+0.9%
China	+4.4%	+4.6%	+4.3%	+3.8%	+4.6%
Eastern Region	+3.8%	+4.0%	+3.6%	+3.2%	+3.5%
Northern Region	+7.1%	+5.8%	+6.4%	+5.8%	+6.4%
South Central Region	+5.7%	+6.4%	+3.9%	+3.5%	+5.4%
Southwest Region	+3.1%	+3.5%	+5.6%	+4.0%	+4.8%
Hong Kong	-2.2%	-2.2%	-0.6%	-0.4%	-0.8%
Japan	+0.5%	+0.3%	+0.3%	-2.3%	+0.3%
South Asia	+4.4%	+4.1%	+4.5%	+4.3%	+4.9%
India	+4.1%	+3.9%	+4.2%	+3.9%	+4.4%
Northern Region	+3.7%	+4.0%	+4.1%	+3.7%	+4.0%
Southern Region	+3.5%	+3.6%	+3.7%	+4.0%	+4.0%
Western Region	+5.1%	+4.3%	+4.8%	+3.4%	+4.6%
Sri Lanka	+5.1%	+4.5%	+5.3%	+5.4%	+6.3%
Western Province	+5.3%	+4.7%	+5.9%	+6.2%	+7.2%

RICS Consensus Tender Prices & Construction Costs (Next 12 months)

	Tender Prices		Construction Costs		
	Building	Civil Engineering	Commercial	Residential	Total
Southeast Asia	+0.6%	+1.0%	+1.7%	+1.5%	+2.0%
Malaysia	-1.9%	-1.6%	-0.8%	-1.1%	-0.7%
Borneo	-2.5%	-3.0%	-0.2%	-0.9%	+0.2%
Northern Region	-2.7%	-1.7%	-1.9%	-0.6%	-0.4%
Southern Region	-3.3%	-3.6%	-3.3%	-2.6%	-4.1%
Western Region	-1.6%	-1.3%	-0.5%	-1.1%	-0.5%
Philippines	+6.6%	+6.8%	+6.8%	+6.9%	+7.2%
Singapore	+0.2%	+1.4%	+1.5%	+1.7%	+2.7%
Middle East & Africa	+1.7%	+1.6%	+2.6%	+1.9%	+2.4%
Middle East	+0.2%	+0.1%	+1.1%	+0.4%	+1.0%
Bahrain	+2.1%	+1.1%	+2.1%	+1.7%	+2.7%
Kuwait	+3.2%	+1.9%	+3.6%	+1.9%	+3.2%
Oman	+1.5%	+1.6%	+2.9%	+2.4%	+2.7%
Qatar	+3.4%	+3.5%	+3.6%	+2.7%	+3.8%
Saudi Arabia	+2.2%	+1.4%	+3.4%	+3.2%	+2.6%
Makkah	+4.1%	+2.6%	+4.1%	+3.6%	+4.4%
Riyadh	+4.0%	+5.9%	+5.7%	+4.8%	+6.2%
UAE	-2.8%	-2.8%	-1.7%	-2.5%	-1.9%
Abu Dhabi	-4.0%	-4.0%	-3.1%	-4.5%	-3.7%
Dubai	-2.4%	-2.4%	-1.2%	-1.7%	-1.2%
Africa	+3.8%	+3.9%	+4.6%	+4.0%	+4.3%
Ghana	+3.1%	+2.6%	+2.6%	+2.7%	+1.8%
Mauritius	+6.5%	+6.4%	+7.1%	+6.9%	+7.1%
Nigeria	+6.8%	+7.8%	+7.3%	+5.5%	+6.3%
Northern States	+7.5%	+7.5%	+7.0%	+5.9%	+6.5%
Southern States	+6.4%	+8.0%	+7.5%	+5.3%	+6.3%
South Africa	+3.0%	+2.8%	+3.8%	+3.8%	+4.1%
Gauteng	+4.0%	+3.5%	+3.9%	+3.5%	+4.1%
KwaZulu Natal	+1.4%	+2.4%	+2.8%	+4.2%	+3.2%

RICS Consensus Labour & Material Costs (Next 12 months)

	Labour Costs		Material Costs					
	Skilled	Unskilled	Bricks	Concrete	Copper	Glass	Steel	Total
Asia Pacific	+2.4%	+1.3%	+2.1%	+2.8%	+2.6%	+2.1%	+2.7%	+2.7%
Australasia	+1.6%	+0.4%	+2.0%	+2.4%	+2.9%	+2.6%	+3.2%	+2.5%
Australia	+1.5%	+0.1%	+1.9%	+2.4%	+2.9%	+2.5%	+3.2%	+2.6%
New South Wales	+1.4%	+0.3%	+2.8%	+3.5%	+3.5%	+3.5%	+3.8%	+3.2%
Queensland	+2.8%	+1.3%	+3.0%	+3.4%	+2.4%	+1.6%	+1.4%	+2.4%
Victoria	+0.4%	+0.1%	+1.0%	+1.0%	+1.2%	+1.7%	+2.4%	+1.8%
Western Australia	+0.5%	-1.8%	-1.2%	-1.2%	+4.7%	+0.7%	+4.5%	+2.7%
New Zealand	+1.7%	+0.9%	+2.2%	+2.4%	+3.1%	+2.9%	+3.4%	+2.5%
North Island	+2.2%	+1.8%	+3.0%	+3.0%	+3.2%	+3.2%	+4.2%	+3.1%
South Island	+0.8%	-0.7%	+0.5%	+1.1%	+2.6%	+2.0%	+1.7%	+1.1%
East Asia	+1.3%	-0.2%	+1.6%	+1.8%	+1.4%	+1.1%	+1.3%	+1.6%
China	+5.8%	+3.8%	+4.4%	+4.5%	+2.9%	+2.2%	+3.1%	+4.0%
Eastern Region	+4.6%	+2.5%	+3.4%	+3.2%	+2.4%	+1.2%	+2.2%	+3.1%
Northern Region	+5.6%	+4.2%	+7.3%	+6.4%	+2.4%	+2.9%	+4.0%	+6.1%
South Central Region	+9.4%	+7.5%	+7.4%	+8.4%	+5.0%	+5.0%	+6.5%	+6.8%
Southwest Region	+5.4%	+1.9%	+2.0%	+2.7%	+2.1%	+0.9%	+1.3%	+1.7%
Hong Kong	-0.7%	-2.2%	+0.5%	+0.7%	+0.6%	+0.6%	+0.5%	+0.6%
Japan	-0.3%	+1.1%	+0.7%	+1.0%	+0.9%	+1.7%	+0.6%	+0.2%
South Asia	+5.2%	+4.5%	+4.2%	+5.1%	+4.9%	+4.0%	+5.3%	+4.8%
India	+5.1%	+4.5%	+4.1%	+4.8%	+4.4%	+3.5%	+4.8%	+4.3%
Northern Region	+4.5%	+3.6%	+4.5%	+5.2%	+4.5%	+4.4%	+5.4%	+4.4%
Southern Region	+5.5%	+4.6%	+4.1%	+4.6%	+4.4%	+3.0%	+3.7%	+3.9%
Western Region	+4.8%	+4.8%	+3.2%	+4.0%	+3.8%	+3.2%	+5.5%	+4.2%
Sri Lanka	+5.6%	+5.0%	+4.5%	+6.1%	+6.7%	+5.7%	+7.3%	+6.6%
Western Province	+5.4%	+4.9%	+5.0%	+6.2%	+7.1%	+6.0%	+7.4%	+6.8%
Southeast Asia	+1.9%	+1.2%	+1.2%	+2.3%	+2.0%	+1.6%	+1.9%	+2.5%
Malaysia	+0.4%	-0.2%	-0.2%	+0.8%	+0.8%	+0.0%	-0.1%	+0.6%
Borneo	+0.9%	-1.2%	+0.7%	+2.6%	+3.6%	+3.6%	+2.1%	+3.2%
Northern Region	+0.9%	-0.8%	-3.3%	-1.1%	+0.0%	-1.9%	-1.8%	-2.1%
Southern Region	-1.5%	-1.5%	-2.4%	-0.9%	-2.3%	-3.6%	-3.2%	-0.5%
Western Region	+0.4%	+0.1%	+0.2%	+1.0%	+0.8%	+0.1%	-0.0%	+0.8%
Philippines	+4.4%	+3.6%	+3.7%	+5.1%	+4.2%	+4.5%	+5.8%	+6.0%
Singapore	+3.1%	+2.5%	+1.5%	+3.3%	+1.8%	+1.8%	+2.2%	+3.4%

RICS Consensus Labour & Material Costs (Next 12 months)

	Labour Costs		Material Costs					
	Skilled	Unskilled	Bricks	Concrete	Copper	Glass	Steel	Total
Middle East & Africa	+2.7%	+1.7%	+2.5%	+2.8%	+3.5%	+3.2%	+3.8%	+3.4%
Middle East	+1.5%	+0.7%	+1.7%	+1.6%	+2.1%	+2.2%	+2.3%	+2.1%
Bahrain	+1.4%	+0.7%	+2.5%	+1.7%	+3.1%	+3.1%	+2.7%	+2.9%
Kuwait	+2.6%	+2.3%	+2.0%	+1.9%	+1.9%	+1.9%	+2.0%	+1.9%
Oman	+2.4%	+2.4%	+0.5%	+1.0%	+2.5%	+2.5%	+2.4%	+2.0%
Qatar	+3.6%	+2.7%	+3.8%	+4.5%	+5.1%	+5.2%	+5.1%	+4.7%
Saudi Arabia	+3.8%	+2.2%	+2.6%	+1.8%	+2.4%	+2.4%	+3.1%	+3.2%
Makkah	+4.8%	+3.7%	+3.6%	+1.7%	+2.7%	+2.5%	+4.0%	+4.5%
Riyadh	+3.8%	+3.3%	+4.7%	+5.9%	+6.5%	+5.3%	+6.8%	+6.6%
UAE	-0.5%	-1.1%	+0.4%	+0.1%	+0.1%	+0.3%	+0.4%	+0.3%
Abu Dhabi	-2.5%	-2.7%	+0.1%	-0.1%	-1.3%	-1.0%	-1.5%	-0.9%
Dubai	+0.3%	-0.5%	+0.6%	+0.3%	+0.7%	+0.9%	+1.2%	+0.9%
Africa	+4.6%	+3.0%	+3.7%	+4.6%	+5.7%	+4.7%	+6.3%	+5.4%
Ghana	+7.5%	+2.9%	+3.9%	+4.3%	+5.8%	+5.6%	+5.0%	+5.8%
Mauritius	+6.0%	+5.5%	+5.5%	+5.2%	+7.4%	+7.8%	+6.2%	+6.5%
Nigeria	+4.9%	+3.5%	+3.5%	+5.3%	+5.6%	+5.9%	+7.3%	+5.6%
Northern States	+7.6%	+5.7%	+4.7%	+5.8%	+5.9%	+6.6%	+8.2%	+6.6%
Southern States	+3.6%	+2.4%	+2.9%	+5.1%	+5.4%	+5.5%	+6.8%	+5.1%
South Africa	+4.7%	+3.9%	+4.5%	+5.1%	+6.8%	+4.4%	+7.2%	+5.3%
Gauteng	+4.3%	+3.7%	+4.0%	+4.8%	+6.9%	+4.0%	+7.7%	+4.8%
KwaZulu Natal	+4.3%	+3.5%	+5.3%	+5.6%	+6.9%	+4.7%	+6.7%	+6.6%

Information

Construction and Infrastructure Survey

RICS' Asia-Pacific and Middle East Construction and Infrastructure Survey is a quarterly guide to the trends in the construction and infrastructure markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

Methodology

Survey questionnaires were sent out on 11 March 2020 with responses received until 16 April 2020. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1323 company responses were received globally. Results are collated at a country level with regional results only reported if a minimum of ten responses received. Responses in Canada were collected in conjunction with the Canadian Institute of Quantity Surveyors. Responses in the United States were collected in conjunction with the Association for the Advancement of Cost Engineering.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline.

Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

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