



Q4 2018: RICS Asia Pacific Construction and Infrastructure Survey

Outlook for workloads positive, margins seen more mixed

- Construction and infrastructure workloads were mixed in Q4, however most regions expect a pickup over the next twelve months.
- Profit margins are expected to improve throughout 2019 across several markets, though Hong Kong and Malaysia still appear to be in a cyclical downturn.

Respondents to the RICS Asia Pacific Construction and Infrastructure Survey reported a mixed picture in terms of workloads in Q4 of 2018. As shown by Chart 1, respondents in New Zealand, India and Australia indicated workloads increased modestly during the quarter, while workloads in Hong Kong and Singapore were little changed. Contributors in Sri Lanka and China reported a modest decline in activity, while the decline in Malaysia was more severe (in net balance terms).

In several markets such as Australia, China, India and Singapore, upbeat activity in infrastructure was offset by more sluggish activity in the private sector. As shown in Chart 5 Malaysia, Sri Lanka and Hong Kong were the exceptions as contributors noted a decline in infrastructure workloads.

However, there appears to be scope for continued investment in infrastructure as the majority of respondents in all countries surveyed noted the need for new projects over the repair and maintenance of existing infrastructure (Chart 6).

Most markets saw tender prices for both building and civil engineering increase during Q4. Chart 2 shows that prices rose particularly quickly in New Zealand, while those in Singapore were more subdued. Meanwhile, prices in Hong Kong were little changed and prices in Malaysia continued to decline.

Margins continued to be under pressure in most markets. With the exception of Australia and New Zealand, where margins didn't change significantly during the quarter, most markets experienced a degree of margin deterioration.

Respondents were generally more upbeat on the outlook for profit margins. Chart 4 shows that in New Zealand and to a lesser extent (in net balance terms) Australia, margins are expected to expand over the next twelve months and in India, China and Singapore they are expected to be little changed. Although they are still expected to deteriorate in Malaysia and

Sri Lanka, the pace of deterioration over the next year is much slower, in net balance terms, than it was in Q4. Hong Kong which is the exception, as the pace of margin deterioration is expected to remain unchanged over the next year.

This could be a result of workloads in Hong Kong are expected to increase at a slower pace than elsewhere in the region. Chart 1 shows that workloads are expected to increase at a robust rate across most markets. The exceptions, Hong Kong and Malaysia, are generally seen as being in the midst of a cyclical downturn.

Although there was some nuance between markets, financial constraints were almost universally seen as a drag on activity. This was particularly true in Malaysia, where it was cited as a headwind by 94% of respondents.

Competition was also cited as a constraint by more than 50% of respondents across every region. Interestingly, more than half of respondents in New Zealand (69%), China (64%), India (61%) and Malaysia (56%) cited planning and regulation as constraining activity in their markets.

The outlook for headcount over the next year is mixed. In net balance terms, Australia and New Zealand are expected to see the most robust increase in headcount over the next year of any Asia Pacific market included in the survey. Headcounts in China, India and Singapore are expected to increase more moderately, while those in Sri Lanka and Malaysia are expected to be little changed. Meanwhile, headcounts in Hong Kong are expected to decline modestly.

Although only New Zealand (82%), India (63%) and Sri Lanka (63%) reported an aggregate shortage of skills, there were a few skills that were scarce across multiple markets. Outside of Australia, at least half of respondents reported a shortage of BIM managers. Similarly, with the exception of Malaysia and Sri Lanka, at least half of respondents reported the need for new quantity surveyors and commercial managers.

Asia-Pacific Key Indicators

Chart 1: Workloads



Chart 2: Tender Prices, Next 12 months

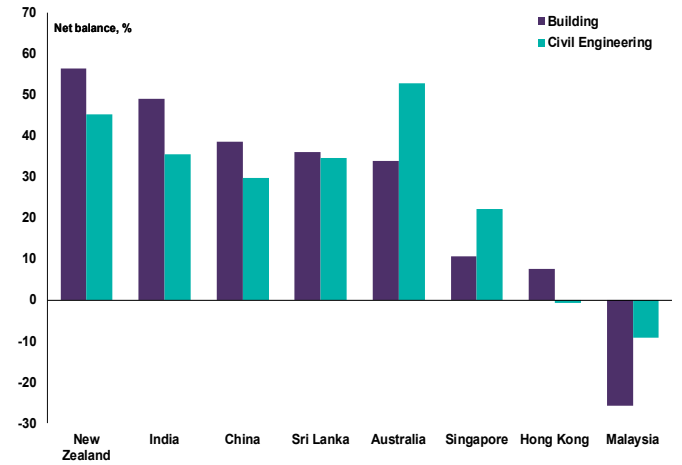


Chart 3: Credit Conditions

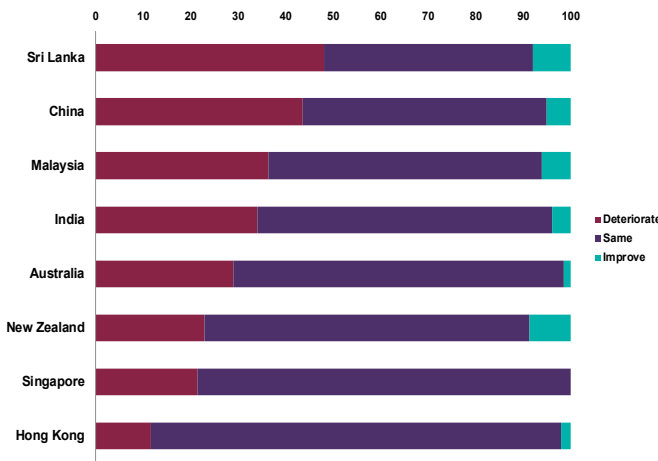


Chart 4: Profit Margins

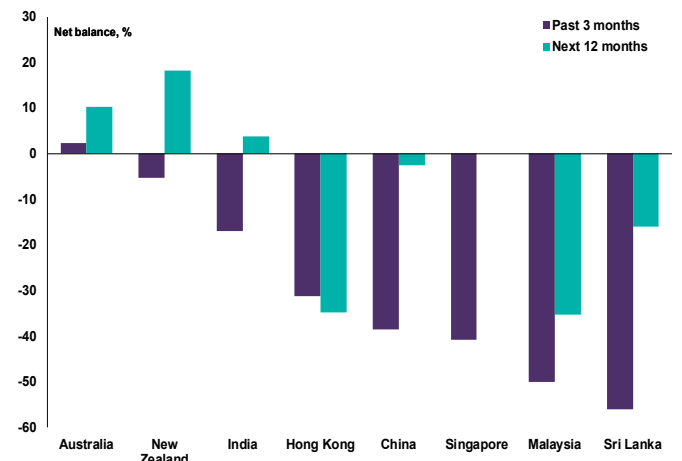


Chart 5: Infrastructure Workloads, Past 3 months

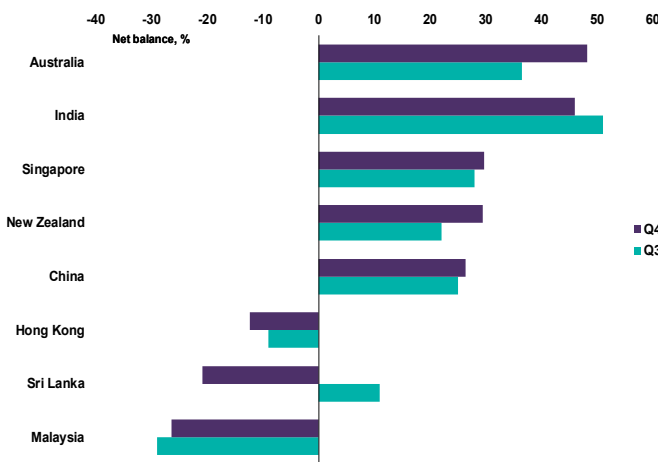
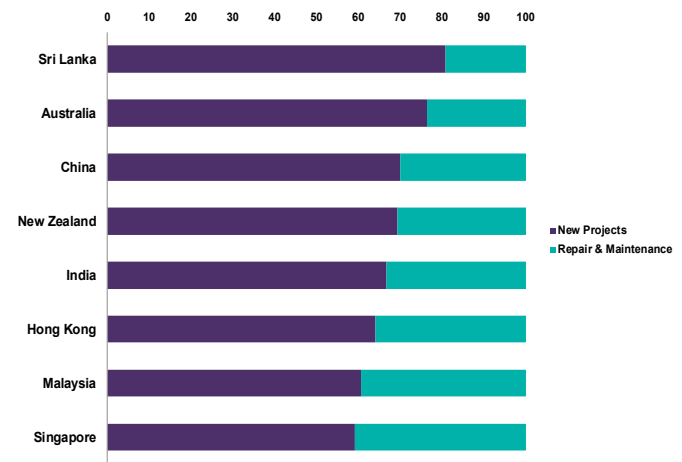


Chart 6: Infrastructure Needs



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 17 December 2018 with responses received until 27 January 2019. 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 980 company responses were received.

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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Responses were gathered in conjunction with the following organisations:





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