



GLOBAL CONSTRUCTION INDUSTRY OVERVIEW



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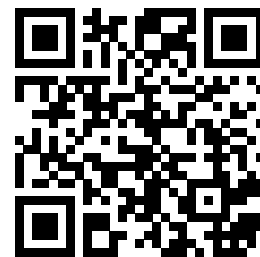
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EXECUTIVE Summary

The Construction Industry has a significant impact on the economy, society and the environment as a whole. The quality of peoples' lives is strongly affected by the homes they live in, their structure of their workplaces, and the general built environment surrounding them. The construction sector is involved in almost every other sector, as all economic value generation takes place within or by means of structures.

As an industry, it amounts for 14.7 percent of the global GDP. The worldwide construction output is projected to increase to USD 12.9 trillion by 2022, while trends in the biggest economies seem to moderately enhance the pace of growth in worldwide construction to

3.7 percent through 2019 and 2020. Challenges such as recruiting and retaining talent, accelerating technology adoption and defining a sustainable-growth driver business model seem to be placing high pressure upon the industry. However, digital transformation and large investments in infrastructure are proving to be capable of balancing these challenges and achieving continued growth in the sector. Smart city expenditure will reach USD 158 billion worldwide by 2022, a chance for the whole spectrum of companies across the construction sector to assist cities in fulfilling their goals. Technological advancements such as drones, Business Information Modeling (BIM), data and analytics, wearables and Augmented Reality

(AR) help to maximize work productivity and support employee performance. Asia Pacific is the largest region in the Construction industry accounting for approximately 60 percent of the global market. With almost 49 percent share of the market, the biggest segment in terms of value is Building Construction, reaching USD 8452 billion.

Chinese companies represent 41 percent of the total income dominating in the top 100 classification. Other key players from Asia, mainly Japanese and South Korean companies, along with other companies from the US, UK, France and Spain, have a powerful presence in Construction's ranking.

The number of employees in the Construction Industry in 2018 were approximately 26 million in the G7 countries, 15.5 million in the twenty-eight countries of the European Union and around 11 million in the US. The lowest regional costs in labor are represented by the China, India and many African countries, with North America having the highest. Europe, Asia and Australia remain slightly behind. The largest labor costs were reported in Zurich, where even a general laborer may earn USD 99 on an hourly basis, and a skilled electrician might make USD 118 at the same rate.

The number of areas experiencing skills shortages continues to increase 65.6 percent of the markets are experiencing skill shortages. The lack of available, qualified employees is one of the main factors for low efficiency and increasing construction expenses. This issue can be addressed through a more global, digitalized and connected system. However, the often conservative and traditional Construction sector will need to be able to base its decisions over future growth on viable,

existing data in order to be persuaded to make this shift. The existing data analysis clearly reveals the efficiencies and improvements that arise as a result of digitalization and globalization. Despite the significant technological advances in the Construction Industry, there is still much work to be done with regards to continued improvement. Construction firms must not seek to address the future in a passive manner, nor to believe that disruption will not affect their sector. An approach that will prioritize the steps needed to progress and the creation of a value map seem to be a requirement rather than an option for construction companies. A technological and innovation road map must be developed or refined, focusing on existing technological and innovation investments along with scheduled, new investments.

Smart living is a pattern of innovation that offers people the opportunity to gain the rewards of new ways of living around the world. Smart construction of buildings is identified by the increasing presence of innovative, faster, less costly and more efficient construction concepts, technologies, and processes. The market needs to provide for powerful and smarter solutions to meet the environmental agenda, perhaps currently the biggest driver for innovation in the Construction Industry.



KEY FINDINGS

- **2019 will represent** a pivotal year for the global Construction Industry's GDP, starting to gradually cool down from **+3.5 y/y in 2018** to **+3 percent y/y in 2019**.
- **Infrastructure is upgrading** and the smart cities of tomorrow are proceeding to develop through digital transformation.
- **Technology progress provides** a **360-degree** approach to the Construction Industry and its growth potentiality.
- **Future growth goes** hand in hand with analytics and data.
- **Labor shortages are anticipated** to carry on rising until 2020, leading to a talent war among the Industry's workforce
- **By 2030, China, the US and India will account** for 57 percent of global growth in the Construction and Engineering sector, underpinning the future financial development of the three countries that represent more than a third of the world's population and financial production.
- **Construction output worldwide was approximated** to **USD 17.14 trillion in 2017** and it is predicted to reach **USD 24.33 trillion in 2021** at a remarkable compound annual growth rate (CAGR).
- **Market temperature analysis reveals** where opportunity lies, with 18 markets among 9 countries being hot or overheating (see Figure 2.5). By 2020, this is predicted to rise to account for 24 markets being described as hot or overheating, 6 more than today.
- **Forecasts for the construction sector seem promising**, with opportunity lying in the residential, non-residential and infrastructure industries.
- **Construction is about to change** completely due to digital innovation. Disruption is able to lead to Construction growth, if firms are able to adapt by fully transforming their work models and procedures and integrating new digital solutions.



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