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Potential disruptions on construction markets

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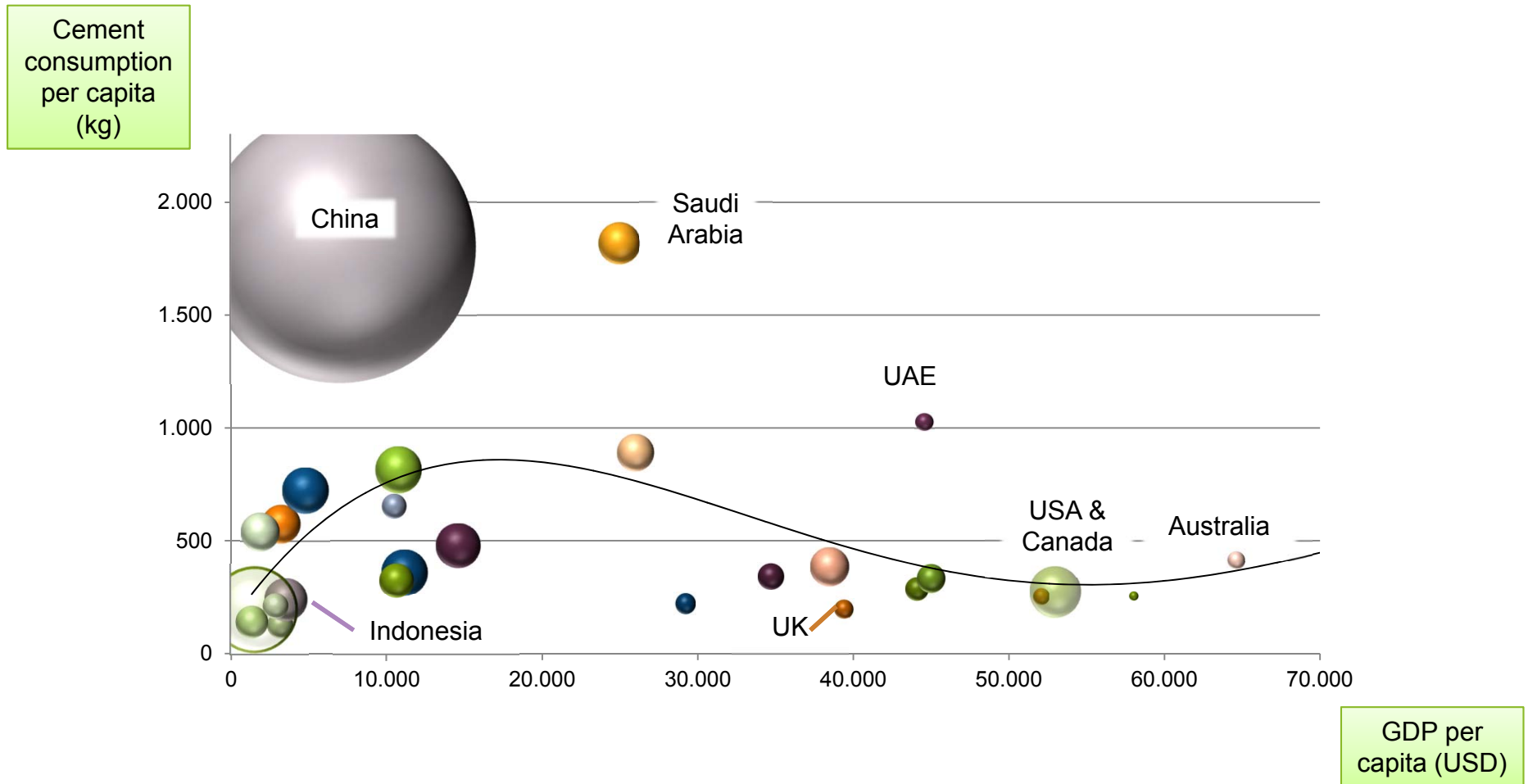
Diversity Integrated **Global** Long term vision Transversality
Independent **Anticipation** Expertise **State-of-the-art**



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The theoretical path for construction markets



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Main sources of market disruptions



Macro

Current examples

End of China super-cycle

- ❖ Impact on commodity exporting countries



Financial

Quantitative easing

- ❖ Direct impact on developed countries
- ❖ Indirect on EMK



Geopolitical

*Arab Spring
Ukraine*

- ❖ Middle-East and North Africa
- ❖ Russia



Political

Governance issues

- ❖ ...



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Focus: commodity price impact now turning negative

Oil & gas exporters

GCC, Russia, Nigeria, Iran, Irak, Canada.

Iron ore exporters

Australia, Brazil.

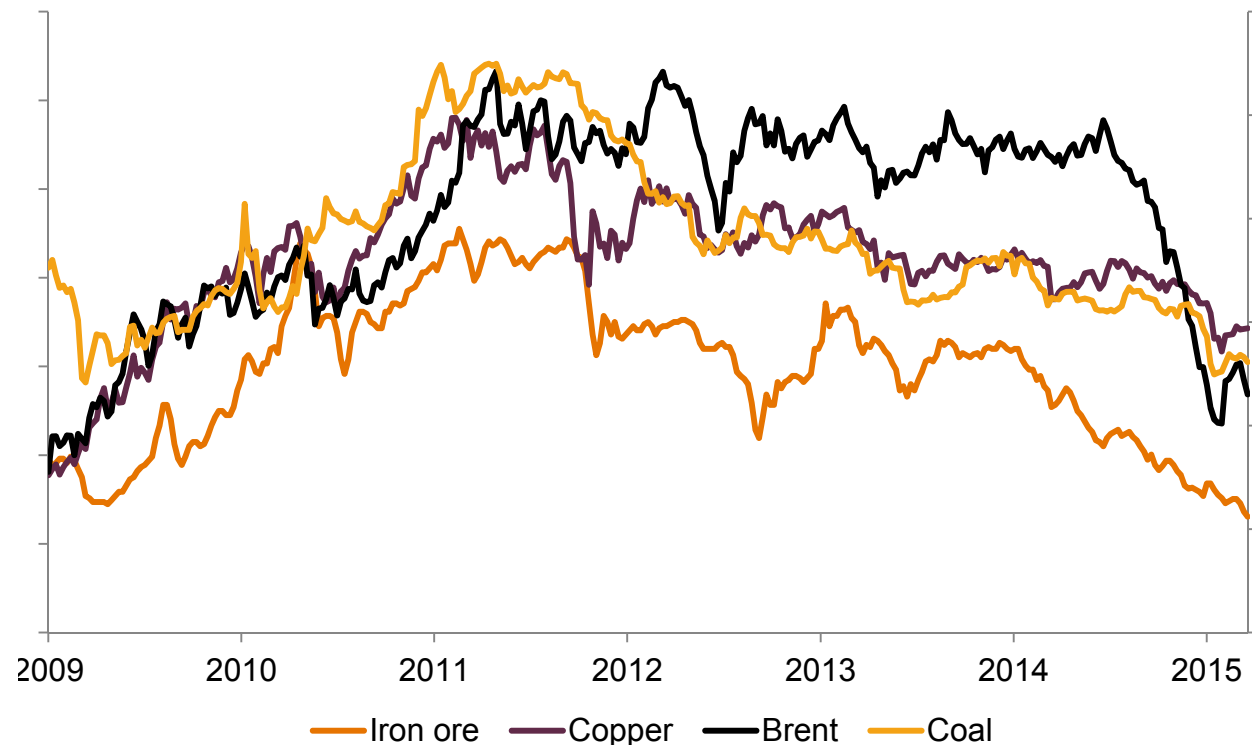
Copper exporters

Chile, Perou, Australia, Indonesia.

Coal exporters

Indonesia, Australia, Russia, USA.

Evolution of commodity prices, *rebased scale*



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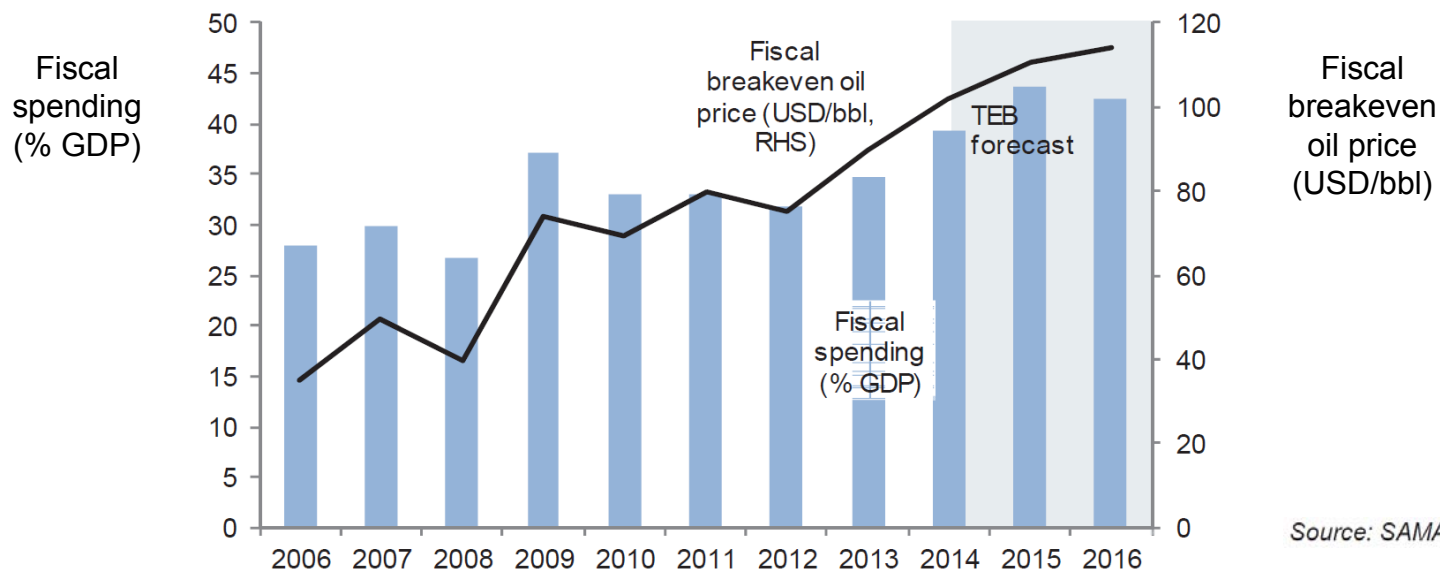
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By far the largest market in GCC

	UAE	Bahrain	KSA	Kuwait	Qatar
GDP 2012 (bn USD)	379	27	701	182	190
Population (m persons)	8.8	1.3	29	3.8	1.8
% Nationals/Expat.	20 - 80	45 - 55	80 - 20	55 - 45	15 - 85
GDP/capita 2012 (USD)	43,800	23,600	24,500	48,800	104,800
Crude oil production (2012, m bbl/day)	3.2	0.05	11.7	2.8	1.6
Nat. gas production (2012, bn cu m)	52	13	103	14	133 (2011)
% of oil and gas activities in GDP	35%	11%	45%	50%	>50%
Cement consumption 2012	9.5 mt	1.8 mt	53 mt	5.0 mt	5.4 mt



Sensitivity to fiscal impact of low oil price



Holy sites



Universities



Social housing, healthcare



Transport



Energy

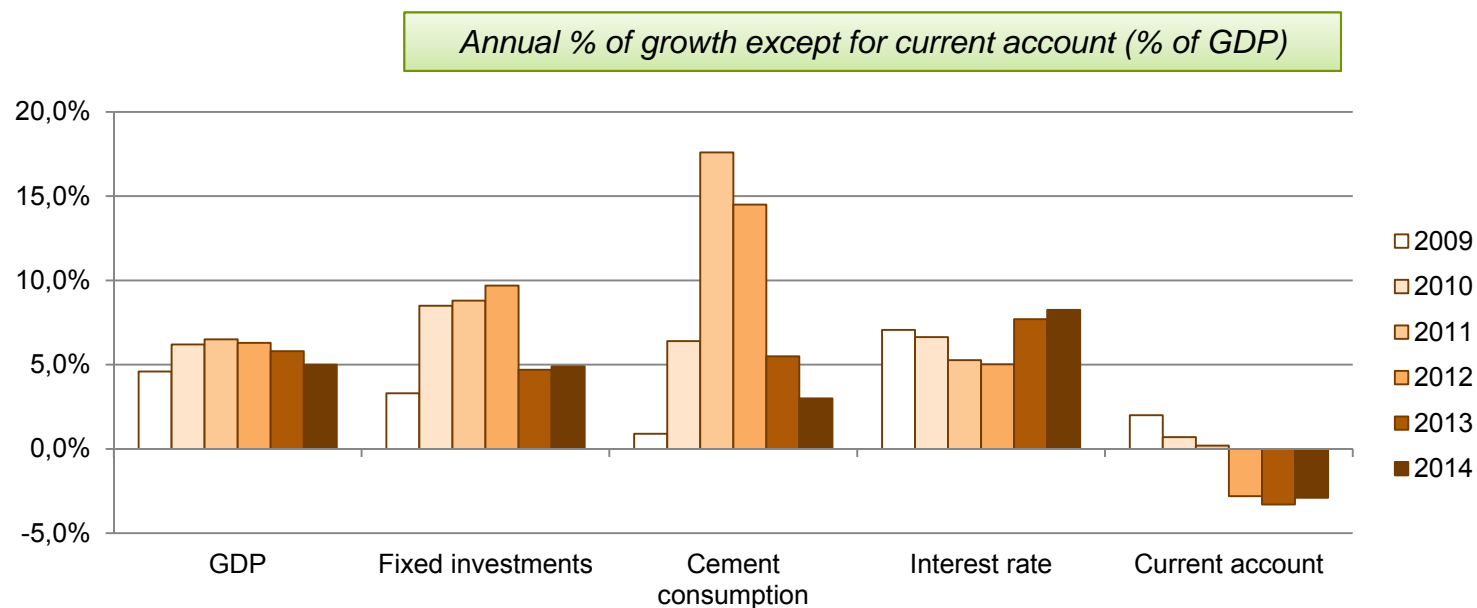


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Strong potential, high sensitivity

- Fundamentals are strong:
 - Structural needs for infrastructure
 - Young and growing population
- But the economy is sensitive to external shocks:
 - Impact of commodity prices
 - Availability of funds



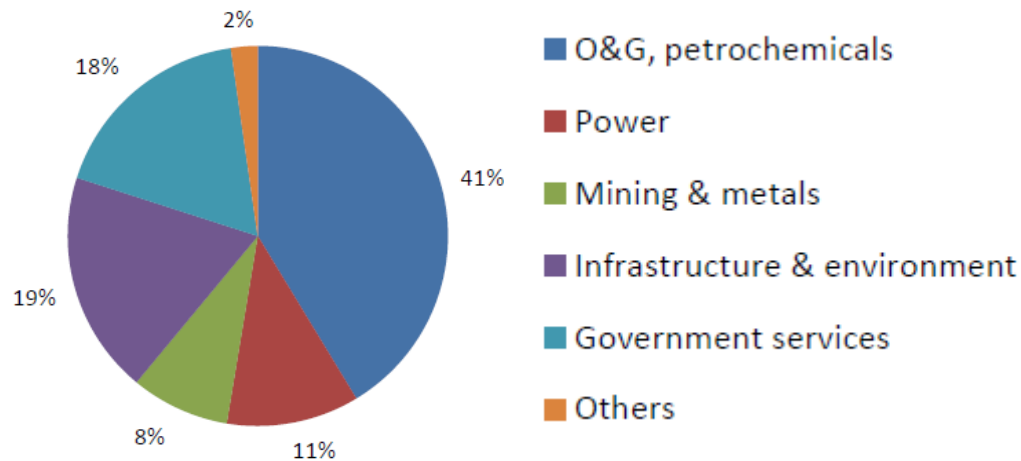
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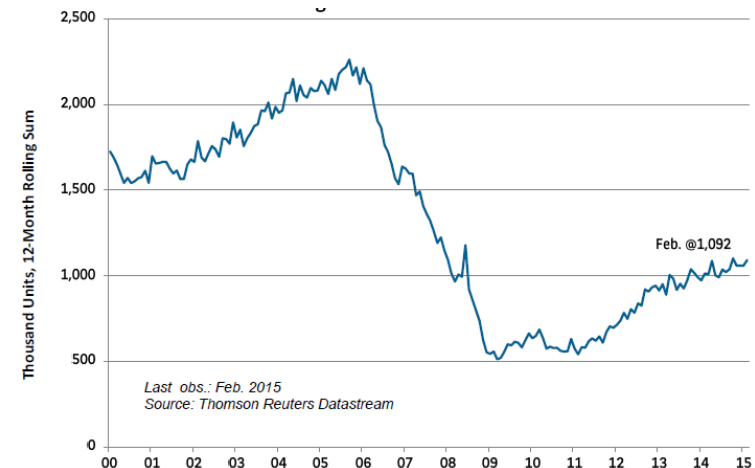
Activity still supported by energy projects

- Less clear boundary between engineering and construction than in Europe
- For major players, very strong activity supported (for the time being) by oil & gas related projects
- Backlogs now become more difficult to renew
- There remains some rebound potential in the traditional building and public works sector

Breakdown of revenue for 12 main US contractors



Building permits

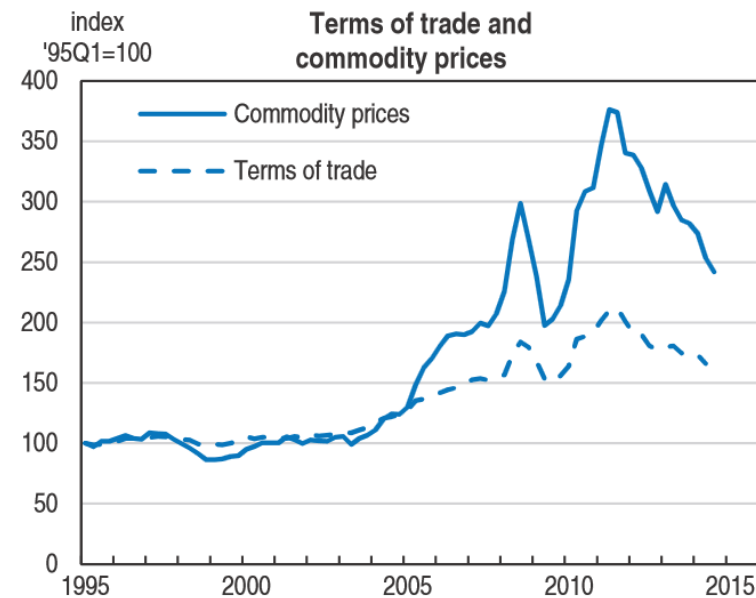
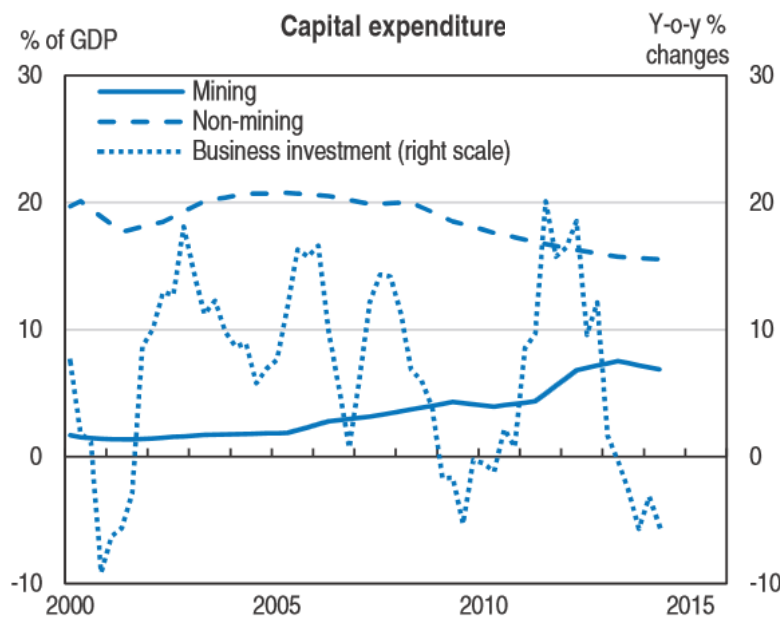


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Post-boom adjustment

- Strong oil & gas related construction activity (LNG)
- Traditional building and public works market to be analysed separately from LNG and mining/metals investments.
- Impact of the Chinese slowdown perhaps still not fully seen
- Currency movements could also have an effect



Source: OECD

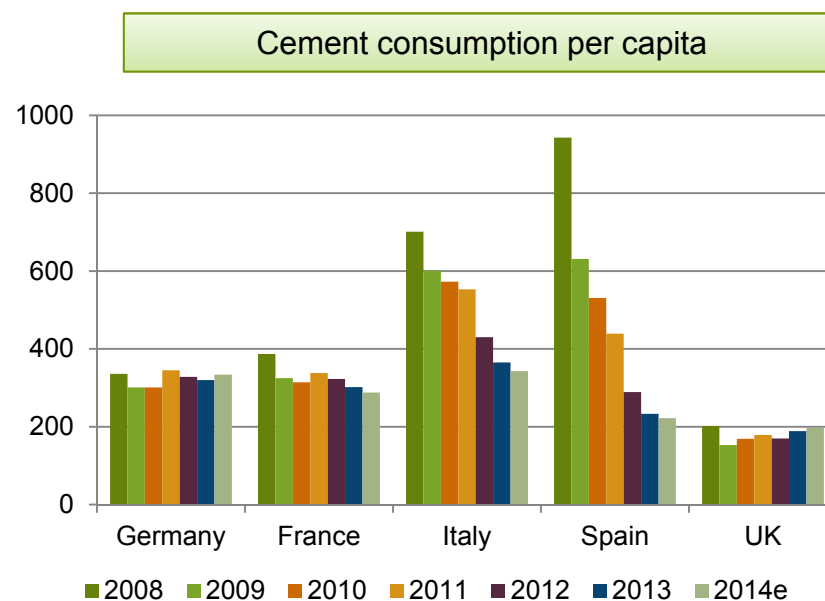
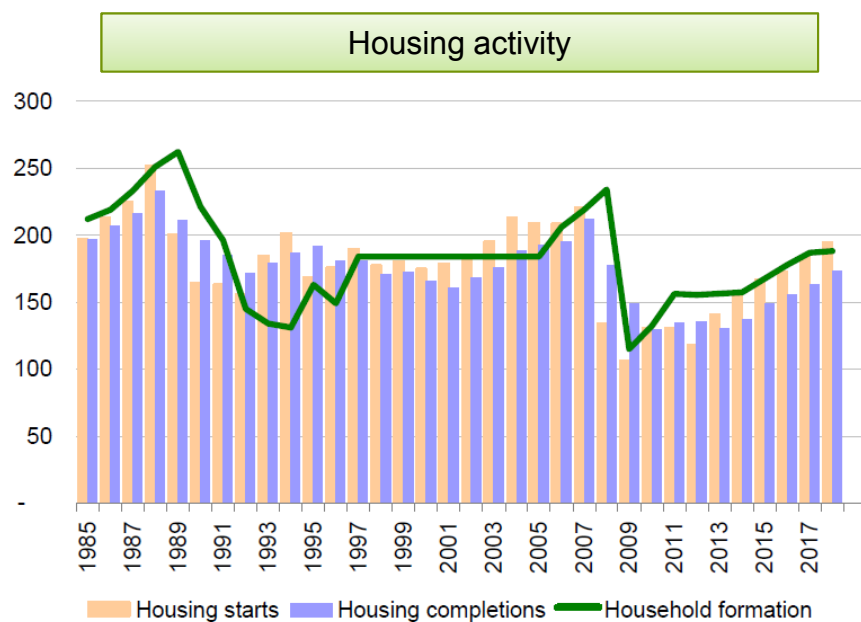


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A more usual market structure

- UK market appears to have some growth potential
 - Relatively low housing activity
 - Limited infrastructure investments
- However, this is seen as a volatile market
 - Structure of financial flows in the non-residential market
 - Residential mortgages



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Thank you for your attention



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