

China Construction Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The China Construction Market is estimated to grow at a CAGR of approximately 5% during the forecast period. China's economic growth has remained generally stable, the development trend of stability and progress, the main macroeconomic indicators are operating in a reasonable range, and the economic structure is being optimized and adjusted.

Key Highlights

China's in the middle of a massive boom in manufacturing. The nation has the largest building market in the world, accounting for 20% of all construction investments worldwide. And it is set to grow: China is expected to spend nearly USD 13 trillion on buildings by 2030.

Due to the impact of COVID -19 Investments were cut as cash flow across the developer market. Developed projects and commercial businesses were subjected to large fluctuations in retail activity, rental income declined and businesses decided to shrink office space to lower rental costs.

In 2021, the value of newly signed contracts in the construction industry was CNY 134.5 billion (USD 18.66 billion), an increase of 2.5% year-on-year, and the growth rate narrowed by 7.1 percentage points compared with the same period last year.

In January 2022, China unveiled plans to develop its construction industry during the 14th Five-Year Plan (2021-2025), paving a pillar of the country's economy on a greener, smarter and safer path.

The Government specifically aims for the development of prefabricated buildings that are partially or fully assembled in factories and shipped to construction sites for assembly will account for more than 30% of new construction in the country. New construction sites will generate less than 300 tons of construction waste per 10,000 square meters.

In addition, China's state-owned railway company plans to double the size of its high-speed rail network over the next 15 years. This will drive the growth of the infrastructure construction sector.

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China Construction Market Trends

Increase in Output value of China Construction Industry:

The output value of construction in China from 2011 to 2021, indicates progressive growth in the industry. In 2021, the construction output value in China achieved its peak at around CNY 29.31 trillion(USD 0.4 Trillion). Demographics are expected to continue spurring growth in residential construction in China.

Rising household income rates, along with population migration from rural to urban areas, are expected to continue to drive demand for residential construction in the country. Increased emphasis on both public and private sector affordable housing would fuel development in the residential construction sector.

Non-residential infrastructure is also projected to expand dramatically in the coming years. The aging population in China is increasing the demand for the construction of healthcare facilities and new hospitals.

Rising wages is also expected to boost consumer spending in China. This will create demand for various services including education and entertainment, and later for plant construction in the country.

In contrast, infrastructure projects have maintained double-digit growth since June 2022, offsetting a decline in demand for construction work from developers. Investment in Power & Utilities and Hydraulics & Environment projects increased by 17.8% and 12.8% year-on-year in September 2022 respectively. As a result, overall construction activity expanded in 2022, reflected in the strength of the construction PMI.

Increase in Value of Contracts:

In 2021, approximately CNY 34.5 trillion (USD 0.48 Trillion) worth of new contracts were signed by the construction enterprises in China, accounting for more than half of the total value. Driven by rapid urbanization, the construction market in China exceeded the output of CNY 29 trillion (USD 4.04 trillion) in 2021.

In addition to several contracts awarded to China State Construction in the past by local casino operators and hotels - such as Wynn Resorts, MGM, Melco, and The 13 the group has also been awarded several contracts for public works and urban development projects in the city.

New construction contracts increased by 12% in 2021 and by 15% in the fiscal year ending August 2022. This was underpinned by 24% and 30% growth in new infrastructure contracts, respectively, as the Chinese government helped the economy.

Building new real estate is essential to the country in many ways. For example, when people migrate to urban areas to work, the demand for housing in big cities increases. Additionally, many with investment opportunities see real estate as an attractive option to drive demand.

For local governments, the sale of land use rights is an important source of income. This means that municipalities often rely on continuous property development independent of demand. In such cases the contracts automatically increases boosting the construction market simultaneously.

China Construction Market Competitor Analysis

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The Chinese Construction Market is Fragmented. However, the market holds opportunities for small and medium players due to increasing government investments in the sector. The Chinese construction market presents opportunities for growth during the forecast period, which is expected to further drive market competition. Large players competing with others for a significant share leave the Chinese construction market with no observable levels of consolidation.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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