

**Compass International – Global Construction Newsletter: April to June 2018**

The global economy expanded by 3.2% in 2017 compared to the previous year, which bodes well for 2018. Most of the world’s major economies are experiencing positive growth as we move into the 2<sup>nd</sup> half of 2018. The International Engineering, Procurement and Construction (EPC) market is estimated to grow to \$7.40 trillion by the end of 2018, up from \$7.15 trillion in 2017 - an annual increase of 3.5%. The make-up and distribution of this value by region is as follows: The international construction market is forecast to be a \$10 trillion market in the next 10 years, a 35% increase.

#	Region	2018 Value in Trillions \$'s
1	North America (USA / Canada / Mexico)	1.97
2	South America	0.62
3	Western Europe	1.60
4	Eastern Europe	0.52
5	Middle East	0.62
6	Africa	0.21
7	Asia / Australia (China / India / Japan / Australia / New Zealand / Other S.E. Countries)	1.86
	<b>Total</b>	<b>7.40</b>

The (5) fastest growing economies are:

1. India 7.2%
2. China 6.3%
3. Vietnam 6.5%
4. Philippines 6.4%
5. Indonesia 5.6%

These countries projected GDP growth rates are for 2<sup>nd</sup> Q 2018: (note: this can be used as a metric to gauge potential construction growth activity in each of these countries). Major countries that will experience slow growth of less than 2% in the next (6) months include Japan, UK, New Zealand, Italy and South Africa. From the above list it appears that the best construction related markets for growth in 2018 are located in Asia.

The global pickup in economic activity is strengthening and will continue in the 2<sup>nd</sup> Q of 2018. The worldwide construction market is forecast to experience a solid growth cycle, increasing between 3% and 4% (average 3.5%) in the next (10) years, assuming no major conflicts or economic disruptions occur. India, China, Vietnam, Indonesia and the USA, are projected to be the leading major construction markets that will experience above average growth in 2018. Increasing demand for all types of construction services in the USA and the Asia – Pacific Region (APAC) will compensate for slow growth in Europe and South America over the next year or two.

India’s construction sector has taken the # 1 most active ranking spot from China as we move into the 2<sup>nd</sup> half of 2018. Infrastructure, highways, airports, bridges, power plants and electrical transmission lines etc., is driving this phenomenal growth activity. This growth appears to be on the cards for the next five years or more.

**Current world political issues that could impact the above somewhat positive comments are:**

- The prospect of a trade war between China and the USA is a distinct possibility.
- The possibility of a conflict between the USA and North Korea have perhaps dissipated with the future planned meeting between both heads of state in May.
- The political and territorial ambitions of Russia, now that President Putin has secure a new six year term.
- The political infighting and now the Special Counsel directed at President Trump and his possible election campaign ties to Russia, has slowed down his agenda.
- Nobody knows what barrel oil will cost in the next six months, will it be \$40 or \$70 a barrel, oil prices have been moving upwards in the last four months.

- China's reclamation and continuing construction projects in the Spratly Islands, a highly disputed area in the South China Sea continues to be a major problem.

If some of these issues can be resolved or put to rest, then the international construction market has an excellent chance to grow and prosper in the next 2 to 5 years particularly in some of the 2nd and 3rd world developing economies of South East Asia, Africa and South America. The Trump administration is initiating the renegotiating of North American Free Trade Agreement (NAFTA) with Mexico and Canada - this could possibly impact construction material costs, specifically lumber products. Changes to (NAFTA) or US withdrawal from (NAFTA) risks encountering retaliatory import duty / tariff increases. The US Commerce Department has started to introduce import tariffs of 25% imported steel and 10% on aluminum products, it appears that Mexico and Canada are exempt from these tariffs until the NAFTA agreement is resolved. Also being considered are import duties ranging between 15% and 25% on Canadian Timber / Lumber products such as framing and plywood. Canada sells \$5 billion per year of Timber / Lumber products to the USA. The months of January and February saw crude oil prices rise above the \$60 a barrel for the first time in over two years.

The Trump administration recently announced a ten year \$1 trillion plan to fund new infrastructure (highways, airports, bridges, tunnels and the like) funded for the most part by non-government bonds and private investing schemes. Some industry experts believe that the US infrastructure needs an estimated \$2 to \$3 trillion to be spent in the next ten years.

One of President Trump's major goals is to make the USA completely independent of the need to import oil products from OPEC countries or any countries that appear unfriendly to USA views and interests, look for USA domestic oil to increase significantly in the next 12 to 24 months.

India will overtake China and the USA with the highest direct foreign investment in 2018, its economy is forecast to grow by more than 7.2% in the 2<sup>nd</sup> half of 2018. The Indian construction sector is set to see strong and robust growth in 2018 and beyond, inflation is somewhat high at 4.5% and is forecast to trend upwards in the next six to nine months to more than 5%. Civil Engineering, Infrastructure and Commercial projects such as, transportation, ports, railways, low cost housing, schools, hospitals, manufacturing, fertilizer, petro-chemical, gas facilities and power plants are moving the Indian economy forward.

The International Engineering, Procurement and Construction (EPC) scenarios for the 2<sup>nd</sup> half of 2018 are for the most part positive, from the more than ten years of economic difficulty and slow growth. India, China, Vietnam, Indonesia, China, Vietnam, Malaysia and the USA are the bright spot, these countries are experiencing decent growth in their construction sectors.

On the other hand, certain counties such as South Africa, Venezuela France, Italy, Greece and Japan are still experiencing limited, less than 1.5% or no growth and some continue to experience high levels of unemployment in their construction sectors in the 10% to 20% range. Look for this to continue for the 2<sup>nd</sup> half of 2018.

The good news is that the International Construction market is forecast to be a \$10 trillion market in the next decade. This growth will be driven by population expansion, the movement of people from rural areas to cities and towns in Asia and Africa. There will be significant need for low cost housing, schools, hospitals, power plants, potable water systems, roads, airports and the like.

## **Things we will see in the 2<sup>nd</sup> Q of 2018:**

### **USA, CANADA and MEXICO**

USA new construction starts in January increased by 8% to 9% from a year earlier. The Trump administration managed to pass a new tax law will have a positive impact on the USA construction sector. The corporate tax rate was changed from 35% to 21%, a 60% reduction. The Trump administration has proposed an American Energy & Infrastructure plan that sets out possible public-private investment to stimulate a \$1+ trillion budget for future infrastructure expenditures (roads, railways, bridges and airports) over the next decade. The jury is still out on when this legislation will be enacted.

The USA is the front runner of the 35 OECD major industrialized countries with 3.2% projected growth going into 2018. The USA EPC / Construction market is projected to grow in the 3% to 4% range for the next 5 years. Overall USA construction costs are projected to increase by 2.9% to 3.5% in 2018, over 2017 pricing levels. Bagged and bulk cement is forecast to rise by 3.2% to 3.8% in 2018. Structural Steel / Rebar is projected to increase by 2.7 to 3.4% in 2018. Timber framing / Plywood are anticipated to increase by 6.6% to 8.8% in 2018 over 2017 values. Copper products is forecast to rise by 1.9% to 4.2% in 2018 and PVC pipe is estimated to increase by 2.2% to 3.4%. Construction labor costs are forecast to increase by 2.6% to 3.4% in 2018 over 2017 levels. Drywall related costs in 2018 are projected to rise by 4.9% to 5.8% over 2017 pricing levels, due in the main part to the significant improvement in the USA "new" housing market.

The USA construction industry will keep on its growth cycle in 2018, the industry needs more construction professionals, skilled and non-skilled workers - this will result in labor and material shortages that will drive salaries, hourly wage rates and material costs, look for inflation to rear its ugly head again in the 4<sup>th</sup> Q of 2018.

We are starting to see USA Engineering and Construction Management firms raising their billing rates and profit margins, look for costs of these services to increase by 3% to 5% in 2018 over 2017 rates.

In August and September Hurricanes Harvey, Irma and Maria caused over \$50 to \$100 billion of property / infrastructure damage to Texas, Louisiana, Florida and Puerto Rico. Puerto Rico will need at least \$15 billion to rebuild the islands' electrical power and distribution system. Lack of skilled workers (welders, pipefitters and Instrumentation /Electrical workers) remains a problem the Gulf Coast region of the USA. Construction hourly wage rates across the USA are forecast to increase by 2.9% to 3.4% in 2018.

New U.S. single-family homes are forecast to have a good 2018, increasing by 6% to 10% over 2017 activity. The forecast for new home sales is in the 800,000 to 900,000 units for 2018, up significantly from a couple of years back. The US commercial construction sector (Offices, Hotels, Single Family Homes etc..) will experience a steady improvement in the 1<sup>st</sup> half of 2018, consumer confidence continues to improve. Industrial construction such as refineries, gas facilities, chemical and power plants are forecast to see steady growth in the 2% to 4% range in the 1<sup>st</sup> half of 2018 over 2017. Commercial construction such as offices, hotels, shopping malls and similar facilities are forecast to grow by 3.5% to 5.5% in 2018 over 2017 levels. Infrastructure such as transportation, water supply and waste water construction is forecast to grow by 3.8% to 5.8% in 2018 over 2017 levels.

The USA overall unemployment rate in the 1<sup>st</sup> half of 2018 is forecast to be in the 3.8% to 4.1% range. Construction unemployment is down in just about all areas of the USA. Overall unemployment in the USA construction sector is currently in the 5.2% to 5.7% range, a huge improvement from a couple of years back. USA Natural Gas / Shale Oil / Ethane / LNG exports to Europe and Asia are projected to grow appreciably over the next decade or two as USA shale oil and gas production increases. The USA trade dispute with Canada, over Canadian timber imports into the USA is still not resolved.

Canada's construction sector will see modest growth in the 1<sup>st</sup> half of 2018. The Canadian Dollar has weakened to 1.30 to the USA Dollar, the weakening of Oil / Gas and commodities markets around the world has seriously impacted the Canadian Oil / Gas construction sector. Oil related construction in Alberta has slowed down appreciably in the last 12 – 24 months, however a couple of projects have been approved in the last month or two with Oil starting to trend upwards to the \$60 to \$65 a barrel range. Canadian construction costs (labor and materials) are forecast to stay relatively flat rising no more than 2.9% to 3.2%.in the 1<sup>st</sup> half of 2018.

Canada's residential and commercial construction market is forecast start slowing down somewhat with mortgage rates starting to move upwards. The population of Canada is growing; this growth will have a positive impact on New Home / Apartments, Health Care, Hotels, Retail and Office construction. Overall, Canadian construction with the exception of Oil / Gas construction is primed to have a decent 1<sup>st</sup> half in 2018. The latest 2018 GDP growth forecast is 2.1%, similar to a year ago. The oil patch in Alberta, Canada has experienced a massive decline; Oil prices need to be in the \$65 to \$75 a barrel to make the Oil from this region of Canada cost-effective, however this could happen in 2018 with Oil prices trending upwards.

Mexico is now a larger economy than Brazil, however the possible changes to the current NAFTA agreement could seriously impact both Canada and Mexico, the current thinking is that the Mexican construction sector could slow down quite rapidly in the next six to nine months as private investors and government agencies make sense of what a new NAFTA agreement means to the Mexican economy. The Mexican Peso is currently trading at 18.52 Pesos to the US Dollar (3/21/2018), a drop of 10% since the 8th November 2016 USA election. While a cheaper Mexican Peso may seem to boost exports to other countries and tourism from the USA, it would make imports into Mexico more expensive and it could possibly increase the current inflation rate to 3.5% or 4.5% by the 1<sup>st</sup> Q of 2018.

## **EUROPE**

European economies for the most part appear to be improving as we move into 2018, Portugal, Spain, Ireland and Italy are starting to see positive signs of growth for the first time in more than eight years. The Euro Zone is projected to see 1.9% to 2.2% GDP growth in the 1<sup>st</sup> half of 2018, the European construction sector is expected to see slow to moderate growth for the next two years.

The economic impact and uncertainty of "Brexit" is still being experienced in the UK, the Pound Sterling has dropped more than 10% against the USA Dollar in the last eighteen months. The British economy and its construction sector has weathered the "Brexit" storm and is improving from its short post-Brexit dive. The British housing market is now starting to trend upwards again as we move into the 1<sup>st</sup> Q of 2018. The jury is still out on "Brexit" – some experts believe it will positively impact the UK construction industry, while there is another group that forecasts the opposite. The High Speed Rail Link (HS2) between London and Birmingham (150 km costing \$5 billion) is officially a "go," this four year project is projected to employ as many as 10,000 construction related jobs. Construction

costs in the Britain are moving upwards again in the 2.5% to 3.5% range. British Trade Unions are looking for increases in hourly wage rates of between 4% and 6%. If this happens, look for inflation and construction costs to start increasing in the 1st half of 2018 and beyond. The UK GDP is forecast to grow to 1.5% range in the 1st half of 2018, the unemployment rate is improving, the current rate is 4.3%, and construction unemployment is higher at 5.1% to 6.3%.

The German GDP growth is forecast to be 2.2% in the 1st half of 2018, unemployment is currently 3.6%. Germany is the largest economy in the Euro Zone, slow and steady growth appears to be in the cards for the 1st half of 2018, and German construction activity in the 1st half of 2018 is expected to moderately improve over 2017 levels.

Economic growth and construction activity in the Netherlands, France, Belgium, Hungary, Denmark, Czech Republic and Sweden is projected to start moving in a nominal / positive direction for the 1st half of 2018. The Euro is forecast to trade in the 1.15 to 1.25 to the USA Dollar in the 1st half of 2018. The Eastern European construction sector that includes Hungary, Latvia, Estonia, Poland and Romania is starting to see nominal growth of 1.5% to 1.7% as we move into 2018.

The French economy is forecast to grow by 1.9% for the 1st half of 2018. Lower energy costs are projected to uphold France on a moderate path forward to a slow economic recovery. The construction sector continues to experience minimal growth; there are a number of major infrastructure / transportation projects in the pipeline, unemployment in France is forecast to be in the 9% to 9.5% range in the 1st half of 2018, with construction unemployment in the 12% to 14% range.

The other European economies such as Austria, Greece, Finland, Lithuania and Switzerland remain lethargic, with restrained / limited growth and high unemployment rates. The uncertainty in the Euro Zone (28 countries) continue to squeeze construction spending in the majority of the Western and Eastern European construction sectors.

## **ASIA**

China's Government has recently decided to confront three major domestic problems in the next five years, (1) reduce poverty, (2) reduce pollution and (3) reduce domestic debt. The prospect of a trade war between the USA and China and is a distinct possibility.

Construction expenditures in China are estimated to increase by 7% over 2017 levels. Continuing industrialization coupled with a growing population are the main drivers of this growth. China is striving to re-calibrate its economy to be more domestic and environmentally sustainable model. Chinese bulk and engineered material prices are flat or increasing by only 1% to 2% per year, labor costs are a different matter, wage rates for Construction Professionals and Skilled and Unskilled Workers are increasing between 5% and 10% per year in some of the major coastal cities.

China and India's border dispute has risen to an uncertain level, this could seriously impact both the economies of both countries and the region if this situation is not resolved peacefully. China's engineering and construction (EPC) sector will continue to grow in the next three years, however the pace of growth will be more subdued than the previous five years.

China's GDP is set to remain static in the 1st half of 2018, the latest forecast is 6.3%. Chinese EPC companies have improved their share of the global EPC market from approximately 6% in 2008 to close to 20% in 2018, look for this percentage to grow in 2018 and beyond in the coming years as Chinese EPC firms aggressively chase international construction work especially in Africa, Asia and North and South America. Infrastructure construction is anticipated to experience strong growth of between 3% and 5% in 2018, highways, bridges, electrical transmissions and railroad construction is expected to lead this growth.

The Chinese private property market is still overvalued by at least 25% to 35% according to industry experts; this has impacted the spending habits of the Chinese consumer and will have a knock-on effect for the Chinese construction sector in the 1st half of 2018. Average Chinese escalation / inflation for 2018 is expected to be between 1.7% and 2.1%.

The Indian construction industry continues to expand, this growth is sustained by India's evolving economy, consumer spending, foreign direct investments (FDI) and higher government spending on large and mid-sized infrastructure projects. Construction industry growth is expected to remain strong over the next three to five years, as a result of the government's undertaking to augment India's dilapidated infrastructure.

India will be the frontrunner of the "Asian Tiger" economies. Infrastructure accounts for between 50% and 70% of India's construction sector, this will possibly increase due to the Indian Governments recent proclamation to invest and improve highways, electrical transmission systems, railways and other forms of transport. India's GDP is forecast to grow 7.2% in the 1st half of 2018. Indian Engineering and Construction worker wage rates have increased between 6% and 10% in 2017, look for this trend to continue in the 1st half of 2018. Foreign investment continues to move into India as major USA, European and Japanese companies eye India as a major growth country, look for this trend to continue in 2018 and beyond. India is now considered the # 1 growth market for construction related services followed by China the # 2 and Vietnam # 3.

Japan recently announced that the Government stimulus policy has not appeared to work. Japan's GDP is forecast to grow in the disappointing 1.1% to 1.4% range in the 1st half of 2018. The Japanese unemployment rate is forecast to be 2.5% for the next six months, Japanese inflation is forecast to be in the 1.1% in the 1<sup>st</sup> half of 2018.

South Korea's 2018 GDP is forecast to see 2.6% growth, inflation will be in the 1.8% to 2.3% range and unemployment is forecast to be 3.3% to 3.6% in 1st half of 2018. The Indonesian construction sector is performing especially well in and around Jakarta, GDP is forecast to grow in the 5.1% to 5.7% in the 1st half of 2018. Vietnam and Singapore are both expected to see decent growth in the 3.5% to 5.5% range in 2018. Malaysia's construction sector will continue to thrive in 2018, some large office buildings, shopping malls, hotels, roads, oil and gas facilities together with rail facilities are driving this growth.

Other potential Asian construction growth markets include, Thailand, the Philippines and Laos all countries are demonstrating decent construction related growth potential for the 1st half of 2018 and beyond. Chinese and South Korean large Engineering and Construction firms continue to aggressively "chase after" and successfully win and execute large EPC projects around the world, pushing out or making life more difficult for the once "dominant" major US, Japanese and European EPC firms.

## **AFRICA**

Nigeria is set for a significant rise in construction spending in the next three to five years, assuming it can get its political house in order. The Nigerian population is forecast to grow to 250 million in the next ten years. Inflation in Nigeria reached 16% in November 2017, look for this rate to decrease in the 1<sup>st</sup> half of 2018 to 12% to 14%. Nigeria's GDP is forecast to grow in the 1.9% to 2.2% range in the 1st half of 2018. Ethiopia, Cameroon, Cote d'Ivoire, Kenya and Tanzania, are all forecast to experience slow to somewhat decent GDP growth for 2018 in the 3% to 4% range. On the other hand, both South Africa and Nigeria (Africa's two largest economies) will experience slow or limited growth in the 1st half of 2018. If oil remains in the \$60 to \$65 a barrel range, there could be an uptick in construction activity in Nigeria, Uganda, Equatorial Guinea and Cameroon - if oil prices retreat and stay in the \$35 to \$45 a barrel range the opposite will be the case.

A shortage of skilled workers both in construction and manufacturing will continue to stymie South Africa's economic growth for the 1st half of 2018. Depressed minerals / commodity prices continue to hold back the South African construction sector. Business confidence is considered to be at a near all-time low in South Africa, one of the major countries of Africa. President Jacob Zuma recently resigned as President of South Africa.

## **RUSSIA**

Russian voters gave President Putin big win in late March, almost 70% of the electorate vote to give him his 4<sup>th</sup> term as President. It is hard to anticipate at this time the impact of his election will have on the Russian construction sector. Recent accusations by the UK Government of a poisoning incident in the UK has still to play out.

Russia recently became the leading oil producer, producing more than ten million barrels a day, leapfrogging over Saudi Arabia. The Russian GDP forecast for 1st half of 2018 is 1.8%, which is a slight improvement from a year ago. The Russian economy is expected to improve modestly in the 1st half of 2018 and of course this will positively impact construction activity. Falling oil revenues and trade restrictions from the European Union and the USA over the Ukraine situation has been a drag on the Russian construction sector: Unemployment in the construction industry is somewhere between 10% and 12%. Construction inflation in the 1st half of 2018 is forecast to be in the 3.2% to 3.7% range. The Russian construction market is forecast to experience minimal growth in the Oil / Gas sector and modest growth in the commercial / housing construction sector in the 1st half of 2018. Construction work for 2018 World Cup continues.

## **SOUTH AMERICA**

The South American construction / Infrastructure / Commercial Construction markets will experience moderate growth in 1st half of 2018. Commercial and office related type construction is active throughout South America. Shopping mall(s), apartments, warehouses, water supply / disposal, office developments, housing and light manufacturing facilities have and will continue to be built in major and mid-sized cities in Argentina, Chile, Central America (Panama, El Salvador, Guatemala and Nicaragua) and Colombia, look for this trend to continue in 2018.

Brazil one of the (BRICS- Brazil, Russia, India, China and Russia) has experienced a terrible decade economically. Construction activity in Brazil has been lackluster over the last three to four years, following significant political turmoil and a lasting business downturn. Brazil is currently experiencing a small uptick in its' construction sector. Unemployment in the Brazilian construction sector is 11% to 12%, which is historically very high for Brazil. The change in leadership will not put a quick fix on Brazil's economy

and construction sector, the recession is expected to continue throughout 2018. GDP is forecast to grow in the 2.6% to 2.9% range in the 1st half of 2018, much better than a year ago.

The Venezuela economic situation becomes more and more disastrous as we move into the 1st half of 2018, the question is how long can this continue. South America's construction sectors continue to struggle with restrained demand for EPC services. Brazil and Venezuela will continue to find 2018 to be a challenging year; they are both in recession. The other major countries, i.e. Colombia, Chile, Ecuador, Peru and the Central American nations will all see restrained GDP growth in the 1st half of 2018, ranging between 2.2% to 2.8%. The recent expansion of the Panama Canal will be a big plus for South America economies and their construction sectors. Argentina is experiencing a slow adjustment to the new elected government's policies.

## MIDDLE EAST

Oil-rich Middle Eastern countries are pinning their hopes on oil prices remaining in the \$60 a barrel range. The Middle East's EPC sector is forecast to expand at a faster rate than any other region in the world at between 3.5% and 5.5% in the 1st half of 2018.

The Saudi Arabian Government is trying to reduce the country's dependency on its oil industry and its oil exports by investing in non-oil related businesses, look for this trend to continue in 2018 and beyond, in the meantime with oil trading above \$60 a barrel look for continued substantial CAPEX expenditures on oil related projects in 2018 and beyond.

Qatar will carry on being one of the world's fastest growing economies and construction markets even with the economic related boycott from its neighbors. Qatar is affluent with its enormous offshore gas fields. Qatar is currently focused on its ongoing construction / infrastructure work related to the 2022 World Cup.

Abu Dhabi is the most expensive Gulf Cooperative Council country for construction services. Abu Dhabi is forecast to spend more than \$25 billion on oil / gas, infrastructure and commercial construction projects in the next five years. Some Middle East / North African countries such as Egypt, Libya, Syria, Jordan and Algeria continue to endure political and economic stagnation. Activity is down perhaps 5% to 10% from 2 to 3 years ago, but the outlook for construction work still remains decent in the (GCC). Israel's economy and construction market continue positive as we move into the 1st half of 2018. There are plenty of energy and non-oil related construction projects and opportunities that are still to be had.

## AUSTRALIA

Among the developed OECD countries, Australia has struggled the most from discounted minerals and commodities prices. Australia has avoided an economic slowdown thanks in some part to decent growth in the private housing and commercial construction sector. Skilled labor availability has picked up substantially, salaries and hourly wage rates are forecast to remain stable or moderate slightly for the 1st half of 2018. Unemployment in the construction sector is expected to increase marginally in the 1st half of 2018. Low commodity mineral prices will continue to stymie the Australian economy and construction sector. Australian construction inflation is forecast to be in the 1.6% to 2.1% range for the 1st half of 2018. Australia is seeing the start of a number of major highway, railroad, airports, port expansions and other infrastructure related projects going to the field in 2018 and beyond.

Australia's GDP is forecast to grow in the 2.5% to 2.9% range in the 1st half of 2018. Unemployment in 2018 is forecast to be in the 5.5% to 5.9% range. It appears that the majority of the "mega" LNG projects are just about completed (Wheatstone, Pluto, Browse etc.), these projects employed tens of thousands of construction related workers.

New Zealand construction inflation is forecast to be in the 1.3% to 1.9% range for the 1st half of 2018. New Zealand's GDP is forecast to grow in the 1.2% to 1.6% range in the 1st half of 2018, New Zealand unemployment in the 1st half of 2018 is forecast to be in the 4.9% to 5.4% range.

Countries	2018 % GDP Growth	2018 Inflation %	2018 Unemployment %	Comments on Construction 2018 Future Spending Activity
USA	2.8	2.3	4.1	Construction activity overall in the USA is forecast to increase by 4% to 5% in 2018 over 2017 levels. Commercial

				/ Infrastructure construction gradually improving in all areas of the USA. The USA economy will continue to grow at an improving rate of 2.9% to 3.2% in 2018.
CANADA	2.0	1.9	4.9	Construction (hotels, offices, shopping malls, institutional work and housing) is steadily improving in all Canadian Provinces. Oil and Gas CAPEX work has started to see a slight pick-up with current oil prices in the \$60 to \$65 a barrel range.
BRAZIL	2.8	3.5	12.2	Lots of labor and economic problems will continue to impact construction activity, however the economy is seeing signs of improvement. GDP is forecast to grow at an improving rate of 2.4% to 2.7% range in the 1st half of 2018.
GREAT BRITAIN	1.5	2.7	4.5	The economic impact of "Brexit" is still a major issue. The British housing and infrastructure market is now starting to trend upwards as we move into the 1st half of 2018.
GERMANY	2.2	1.7	3.7	Germany is the largest economy in the Euro Zone, slow and steady growth appears to be on the cards for the 1st half of 2018. The German GDP growth is forecast to be 2.2% - 2.4% in the 1st half of 2018.
FRANCE	1.9	1.6	9.1	The French economy is forecast to grow by 1.7% to 2.1% for the 1st half of 2018. Construction activity remains slow; however there are signs of activity in the infrastructure and transportation sectors There are number of major infrastructure / transportation projects in the pipeline that should be constructed in 2018.
RUSSIA	1.8	3.4	5.1	The Russian construction market is forecast to experience nominal growth in the Oil / Gas sector and modest growth in the commercial / housing construction sector in the 1st half of 2018, construction work for 2018 World Cup continues. USA and European sanctions have seriously

				impacted the Russian construction sector in last three years, look for this to continue in 2018.
JAPAN	1.2	1.1	2.5	The Japanese economy is forecast to grow by 1.0% to 1.3% for the 1st half of 2018. The Japanese construction industry continues to see slow but stable growth. What to do about North Korea is a major issue that could eventually impact the economy.
CHINA	6.3	1.9	4.0	The prospects of a trade war between China and the USA is a distinct possibility in the 1 <sup>st</sup> half of 2018. The Chinese economy is showing some signs of moderating; this has and will impact future construction activity. Add to this the devaluation of the Yuan, the major drop in the stock market and the property “boom” bubble that still is expected to play out and the North Korean impasse points to possible problems ahead for the Chinese construction market. Construction salaries and wages in some of the coastal cities are increasing in the 5% to 10% range. China and India’s border dispute has risen to an uncertain level which could cause problems in 2018
INDIA	7.2	4.5	5.9	India will continue to be the frontrunner of the Asian economies. Foreign investment is pouring into India as major USA, European and Japanese companies eye India as a major growth country, look for this trend to continue in the 1st half of 2018. Infrastructure (roads, ports, bridges, electrical transmission lines etc.) accounts for between 50% and 70% of India’s construction sector.

### 1st Half of 2018 Prices at a Glance:

Forecast Cost of a barrel of Crude Oil \$58 - \$65

Forecast of Euro / US \$ Exchange Rate 1.15 – 1.25

Forecast Copper per pound \$3.05 - \$3.15

US Construction Material Inflation (Basket of 10 construction materials) 1.9% – 2.4%

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