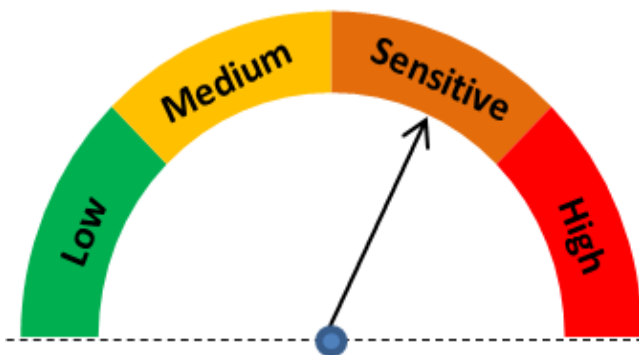




Sector Risk Rating



What to Watch?

- Rise of infrastructure investment in Europe, the US, China and India and \$1.5tn Trump infrastructure plan advancement through Congress
- Wage pressures coming from skilled labor shortage

Positive demand picture vs structural challenges

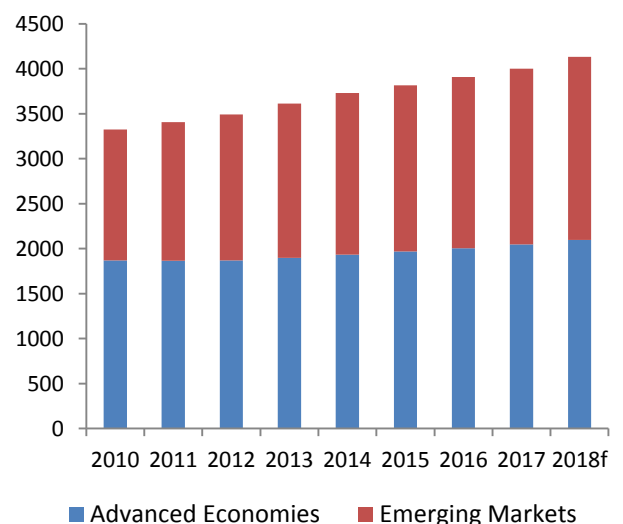
In 2018 worldwide turnover of construction companies is expected to increase by +3.2% y/y compared to a +2.4% y/y growth in 2017.

The positive dynamics has some regional differences. Companies in the US benefit from the strong demand, as well as those in Europe with the exception of UK, where the industry experiences the after effects of the EU exit. The demand improvement is also noticeable in all of the BRICS countries. However, Brazil is an exception, due to potential volatility stemming from the October 2018 elections.

The growth gap between the emerging and the developed world has tightened (growth difference in 2017 was less than 1% vs close to 5% in 2012). This trend is expected to continue with increasing appetite for infrastructure investment in the developed parts of the world. The global infrastructure backlog until 2030 is close to \$1tn (excluding Trump's infrastructure plan), which will support orders in both construction and metals sectors.

The dark spot remains in the sector's structural weaknesses. The companies face headwinds from raw materials price variation and long payment delays (construction is among top-3 sectors with the worst payment terms worldwide).

Global Construction sector revenue (real USD bn)



Sources: Oxford Economics, Euler Hermes

Key Players

Country	Role	Sector Risk
China	#1 producer #1 exporter	●
United States	#1 importer #2 producer	●
Japan	#3 producer #3 importer	●

Strengths

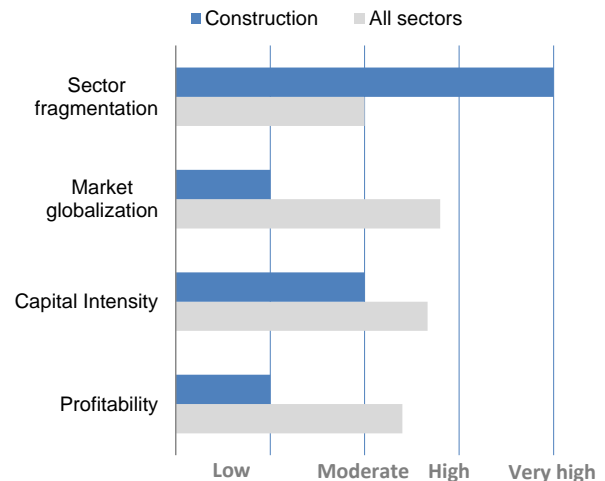
- Strong infrastructure backlog
- Stimulating impact of new environmental standards in mature markets
- High urbanization growth rate

Subsectors Insight

Operations: Drone technology has gained in importance as a significant cost cutting tool over the recent years. The sector keeps its lead as the largest target industry for the drone manufacturers

China: Highways remain the main focus for China's transportation sector. Southern China is expected to be the primary beneficiary of the highway spending plan and cement producers with the exposure to South China will benefit

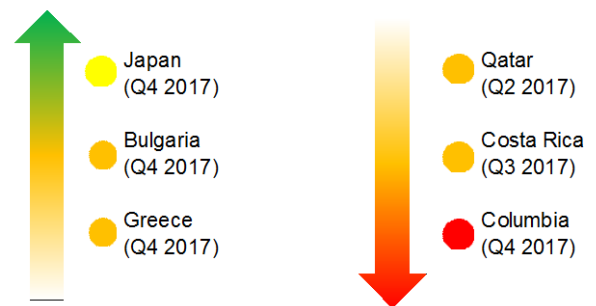
ID Card



Weaknesses

- Working capital pressures in the context of demand improvement
- Raw material prices volatility
- Sensitivity to business cycle

Recent Sector Risk Changes



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