

# **Construction Economy Report**

**No. 54**

## **The Japanese Economy and Public Investment**

**– The Construction Industry Facing Extensive Changes Amid  
Large Declines in Investment –**

**June 2010**

**Research Institute of Construction and Economy  
(RICE)  
Tokyo, JAPAN**

**This is an English translation of a summarized report in Japanese,  
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## Chapter 1 Trends in the Construction Investment

### 1.1 Trends in the Japanese economy and construction investment

- This section summarizes forecasts of the macro economy and construction investment (FY2010) made by the Research Institute of Construction and Economy (RICE) based on latest available data, and announced on April 20 2010<sup>1</sup>.
- Construction investment in FY2010 is expected to be 38.51 trillion yen (a decrease of 9.0% from the previous year) which is below the level of investment of 38.80 trillion yen recorded in FY1977.
- **Government investment** in construction is expected to be 15.69 trillion yen (a forecasted decrease of 18.3% from the previous year) due to a decline in public works expenditure of 18.3% in FY2010 budget, a fall in investment in local-government-financed projects of 5.8% and other cut-backs, to reach a level on a par with expenditure in FY1977.
- **Private-sector housing investment** in FY2009 led to the construction of 775 thousand housing units – a considerable decline of 25.4% over the previous year. Although there will be some effects from policies to give support to household income, through an increase in the list of gift tax exemptions and the introduction of a system of eco-points for housing, significant improvements in income and employment are not expected; therefore, the increase in housing construction starts of 831 thousand in FY2010 is expected to be a modest 7.2% compared with the previous fiscal year.
  - Peoples' desire to become home owners appears to be steadily recovering, thanks in part to various government policies, although the increase in construction is expected to be 7.4% or 308 thousand housing units as it is unlikely that there will be a marked improvement in income or employment. (The corresponding figure in FY2009 was 287 thousand units.)
  - Construction of rental housing units is expected to recover to some extent, due to a bounce-back from the low level in the previous period, and also due to a shift in demand away from purchasing houses in housing developments and towards renting; however, a significant improvement in the mindset of suppliers of rental housing is not expected, therefore the increase in construction will be low, at 6.9% (333 thousand units, compared with 311 thousand in FY2009.)
  - Although construction of housing for sale in new housing development projects is expected to bounce back from the previous fiscal year and also reflect the ongoing adjustment in inventories of unsold apartment units, the factors underlying demand are weak. Construction is expected to increase compared with the previous fiscal year, by 8.9% or 178 thousand units, but remain at a low level. (The corresponding figure for FY2009 was 164 thousand units.)Based on these figures, total private-sector housing investment in FY2010 is expected to be 12.92 trillion yen, a 2.1% year-on-year increase.
- **Private-sector non-housing investment** in FY2010 is expected to continue to show weakness, with a continuation of the low level of construction starts recorded in the previous period, and is expected to decrease by 6.5% year on year. Private-sector civil engineering project investment is also expected to decline, by 2.7%. Overall private-sector non-housing investment in FY2010 is expected to be 9.9 trillion yen, representing a 5.2% decline year on year. This is the first time investment levels have fallen below the 10-trillion-yen mark since FY1976.

<sup>1</sup> Report "Outlook for Construction Investment based on the Construction Economy Model" announced by RICE on April 20, 2010.

- **The real construction investment total for FY2010** is forecast to be 37.72 trillion yen, which is lower than the amount spent over 40 years ago (in FY1969) of 37.90 trillion yen.

### ● Trends in construction investment (FY)

FY	Actual				← Tentative		→ Forecast		2010
	1990	1995	2000	2005	2006	2007	2008	2009	
Nominal CI (Increase rate)	81,440 11.4%	79,167 0.3%	66,195 -3.4%	51,568 -2.4%	51,329 -0.5%	47,900 -6.7%	47,230 -1.4%	42,300 -10.4%	38,510 -9.0%
Nominal government CI (Increase rate) (Contribution rate)	25,748 6.0% 2.0	35,199 5.8% 2.5	29,960 -6.2% -2.9	18,974 -8.9% -3.5	17,797 -6.2% -2.3	17,150 -3.6% -1.3	17,390 1.4% 0.5	19,200 10.4% 3.8	15,690 -18.3% -8.3
Nominal private CI (Increase rate) (Contribution rate)	25,722 9.3% 3.0	24,313 -5.2% -1.7	20,276 -2.2% -0.7	18,426 0.3% 0.1	18,750 1.8% 0.6	16,600 -11.5% -4.2	15,930 -4.0% -1.4	12,660 -20.5% -6.9	12,920 2.1% 0.6
Nominal private NH CI (Increase rate) (Contribution rate)	29,970 18.4% 6.4	19,505 -1.8% -0.4	15,959 0.7% 0.2	14,170 4.0% 1.0	14,782 4.3% 1.2	14,150 -4.3% -1.2	13,910 -1.7% -0.5	10,440 -24.9% -7.3	99,000 -5.2% -1.3
Real CI (Increase rate)	85,442 7.6%	77,727 0.2%	66,195 -3.6%	51,520 -3.4%	50,600 -1.8%	46,099 -8.9%	44,345 -3.8%	41,180 -7.1%	37,720 -8.4%

(Units: billion yen. Real figures are based on FY2000 prices)

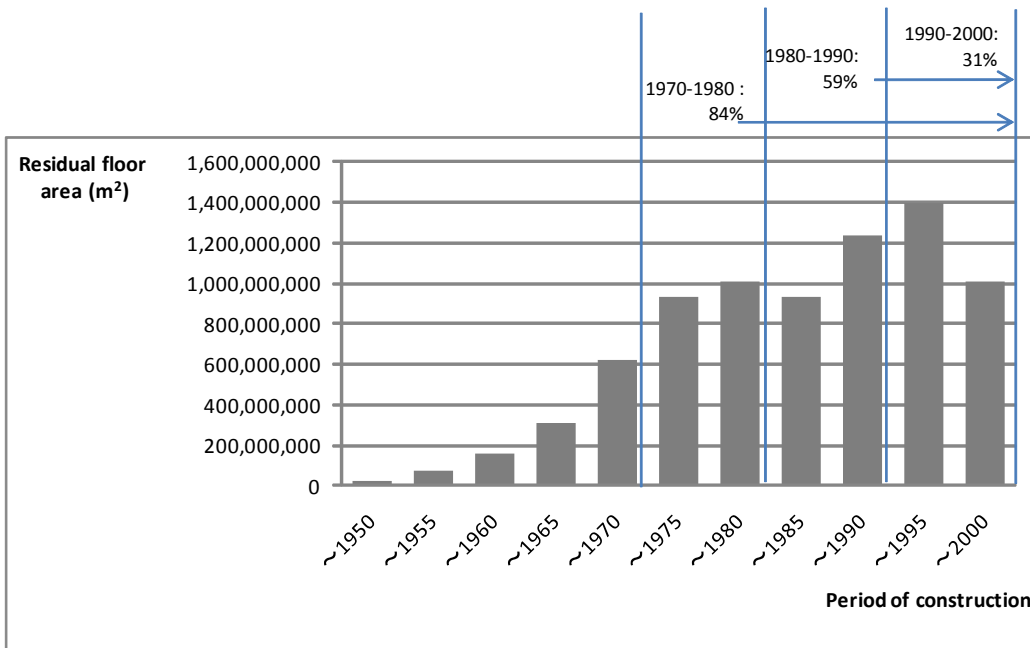
Notes:

1. CI: construction investment NH: non-housing
2. Private NH CI = private non-housing construction investment + private civil engineering investment.
3. Data from the "FY2009 Construction Investment Outlook" by the MLIT up to FY2008.

## **1.2 Investment for maintenance and renewal, and sustainable construction**

- Since the bursting of the economic bubble, we have witnessed a worldwide movement in favor of global environmental protection and a change in attitude away from scrap-and-build towards the long-term usage of existing infrastructure stock. To better manage buildings and structures, there are calls for more money to be invested in the maintenance and renewal of buildings and structures to help achieve a truly sustainable society.
- Since the start of the 1990s, the value of original contracts for maintenance and renovation work has been in the order of 12 to 13 trillion yen per annum. In FY2008 the figure was 13.2 trillion yen. While construction investment is shrinking, the proportion spent on maintenance and repair work was 25.5% in FY2008, and is increasing year by year.
- In Europe and North America, some 40 to 50% of construction investment is directed towards maintenance and renewal projects, which is comparatively higher than the figure in Japan. The reason for this difference is thought to be the very low market value of the used housing market in Japan, on account of the rapid change in living environment after WWII, and the difference in the standards of value between used housing markets in Japan and those in Europe and North America.
- While the service life of buildings and other structures in Europe and North America is over a century, the life of comparable structures in Japan is estimated to be in the region of 40 years. It is estimated that by the decade of the 2020s in Japan, over half of all buildings (with a total floor area of exceeding 4 billion square meters) will reach the end of their 40-year service life. We should continuously invest more money in maintenance and renewal, as well as construct buildings that have a longer service life.
- In a sustainable society, we must consider not only the initial construction cost invested in a building, but the lifecycle cost of the building that includes maintenance and renovation expenses.
- When considering lifecycle cost, it is ideal to find the best partners who can carry out the entire process of the building planning, design, construction and the maintenance and upkeep after the completion of the building, and use the best possible technology. However, demolition of the building at the end of its life may be one option to consider, depending on the building specifications and purpose.
- The use of CASBEE (Comprehensive Assessment System for Built Environment Efficiency) and other building performance assessment systems as well as the latest technology by constructors will allow them to offer proposals that have lower lifecycle costs, which will in turn help reduce levels of CO<sub>2</sub> emissions.
- In Japan 0.8% of GDP was invested in building maintenance and renewal of social capital in 2008. This proportion is only about two-thirds of the world average and suggests that the optimum scale and combination of investment in building maintenance and renewal is needed in Japan in the future. We should collect, compile and update statistical data for research and analysis.
- The construction market should be reformed so that the decisions to place orders is made not only on the basis of prices, but also on construction companies' level of technical development and their ability to provide construction proposals.

Estimated total building floor area of buildings constructed in three periods  
(as of January 1st, 2000)

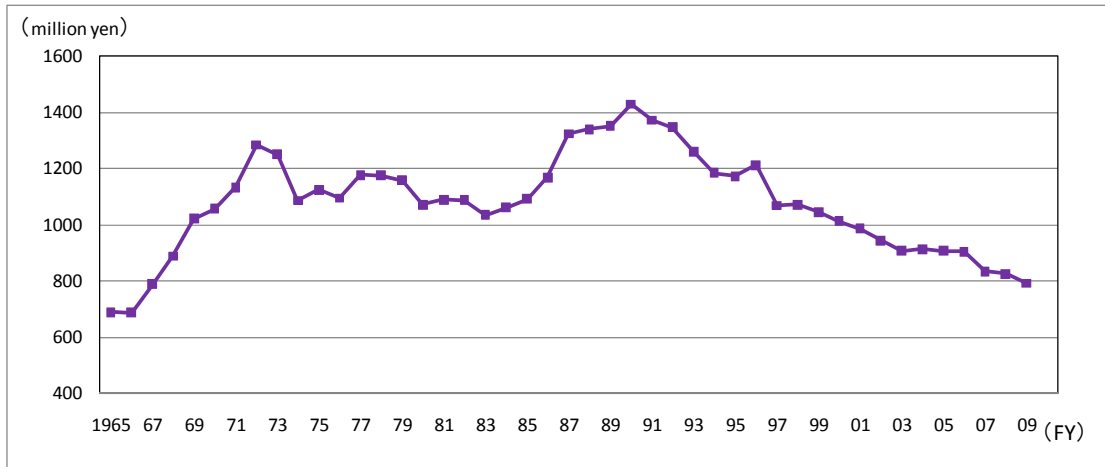


## Chapter 2 The Positioning of Regional Construction Companies and Their Role

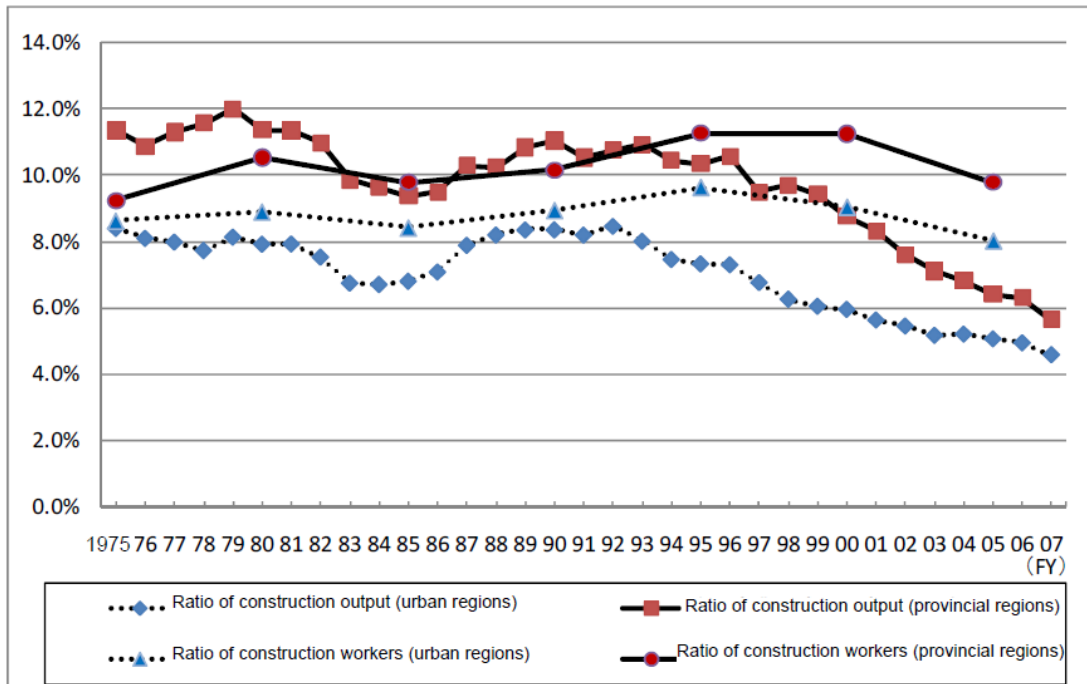
### 2.1 The decline in construction investment and trends in number of regional construction workers

- The amount of actual construction investment per construction worker has been on a decline in recent years (See Graph 1), but will not continue to decline forever. Let us consider three scenarios. In the first one, if we assume that construction investment per worker leveled off from 2009 to 2010, then as a result of the considerable decline in construction investment, the number of people employed in the construction industry in 2010 can be estimated to be 4.74 million (a year-on-year decline of 420 thousand workers). In the second scenario, if the downward trend in construction investment per construction worker from around 2005 continues, the number of workers in 2010 can be estimated to be 4.85 million (a year-on-year decline of 320 thousand). In the third scenario, if construction investment per worker further declines, although the number of workers will not shrink, construction firms will still have to think about how they will make adjustments to worker employment.
- We have used multiple regression analysis of the numbers of construction workers, using construction investment and civil engineering project investment as explanatory variables (the time lag between the number of workers and the explanatory variables is 18 months) to estimate the number of workers in the future. The results indicate that there will be 5.1 million construction workers in 2010 and 4.99 million in 2011. Although the extent of the decline in 2010 will be small on account of the increase in 2009 of investment in civil engineering projects compared with 2008, the total number of workers will greatly decline from 2011 onwards due to the significant fall in investment in civil engineering projects in 2010 compared with 2009.
- The exit of construction workers from the construction industry is expected to be more extreme in the local regions of Japan as construction companies there are more dependent on public works projects than their counterparts in the main urban centers. The demographic make-up of construction workers is also a factor. It is expected that companies will be tempted choose their lay-offs from the large numbers of construction workers who are aged in their late-50s or older. It will be very difficult for these older workers to find new jobs, and there are concerns that the number of people needing social welfare and other social assistance will rapidly increase.
- Comparing the ratio of construction output between urban and regional areas of Japan (i.e., the region's degree of dependence on its construction industry), we see that the rapid decline in output from 1997 onwards is more pronounced in areas outside the urban regions. The ratio was 3% lower than the ratio of construction workers to all workers in FY2005, indicating the difficult conditions within the construction industry (See Graph 2). This analysis shows that the level of investment in construction is rapidly declining in the regional parts of Japan, the number of construction workers has not declined in proportion to this reduction in investment, and as a result, the surplus of workers has increased.

Graph 1 Construction investment per construction worker (real)



Graph 2 Ratio of construction output (to all output) and ratio of construction workers (to all workers comparing urban regions with provincial regions)

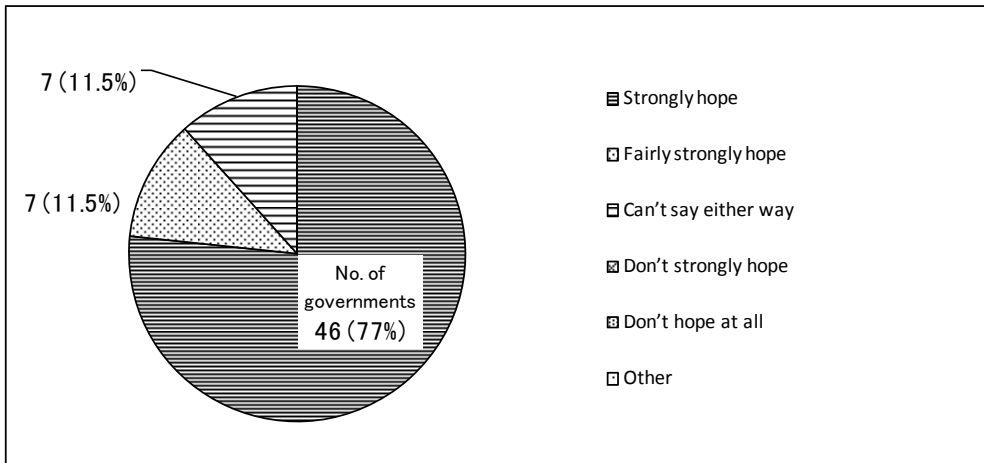


## **2.2 The role of regional construction companies in disaster management**

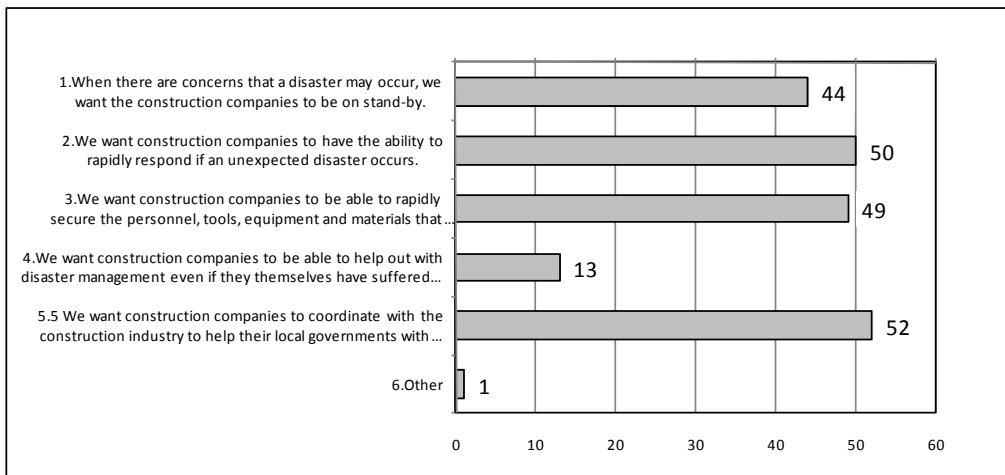
- Focusing on these companies as essential resources in regional disaster management-

- Construction companies play an important role in disaster management. The reduction in construction investment, however, is threatening the existence of those companies that have the ability to contribute in this important area.
- RICE conducted a questionnaire survey to find out what the prefectures and major cities of Japan consider to be the roles of construction companies in disaster management, and what contingency plans these administrative bodies have in place to maintain and ensure the ability of construction companies to mobilize and manage their own resources and expertise to be able to respond to disasters when they occur.
- Disasters requiring a government response frequently occur in Japan. In the last two years, just under two thirds of the prefectures and major cities surveyed replied that regional construction companies had been called upon to assist when disasters had occurred. Many of the respondents replied that they often requested regional construction companies to be on stand-by to prepare for disasters.
- Local governments depend on the construction sector to provide the initial response when disasters occur and to maintain the manpower, tools, equipment and other resources, as well the organization structure to deploy these resources when needed. Local governments hope very much that construction companies who have the ability to respond to disasters will continue to exist.
- Disaster preparedness and crisis management departments within local government are not very much aware of which construction companies are able to play a role in disaster management. Placing personnel within disaster preparedness and crisis management departments who have extensive experience of cooperation with construction companies will help the departments to respond rapidly during times of disasters to minimize time wasted. Moreover, the inclusion of such people will enable these departments to properly determine which construction companies are able to make a positive contribution towards disaster management.
- Disaster preparedness and risk management are items to be evaluated by many local governments in their screening process for bidding or during the bidding process itself (e.g. general evaluation system in competitive bidding). In recent years, the Japanese government has become more aware of the need for local administrators to be able to respond quickly to disasters. To enable this to occur, from FY2009 the Kanto Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism, together with other groups, initiated a system to officially certify the business continuity plans of construction companies. Governments should promote the development of these kinds of innovative assessment systems to enable them to become more widely adopted.
- Requiring construction companies to bear the cost for disaster preparedness and management will place those willing to cooperate at a disadvantage. Administrators should promptly offer subsidies and take measures to improve systems that will lighten the burden on these companies.
- Disaster preparedness and response should be placed more importance in assessing construction companies and in the bidding process so that companies that have the ability to contribute to disaster management will find it easier to receive work orders. This is important from the perspective of governments' regional policies.

Local governments are hoping that companies with disaster preparedness will continue to stay in business



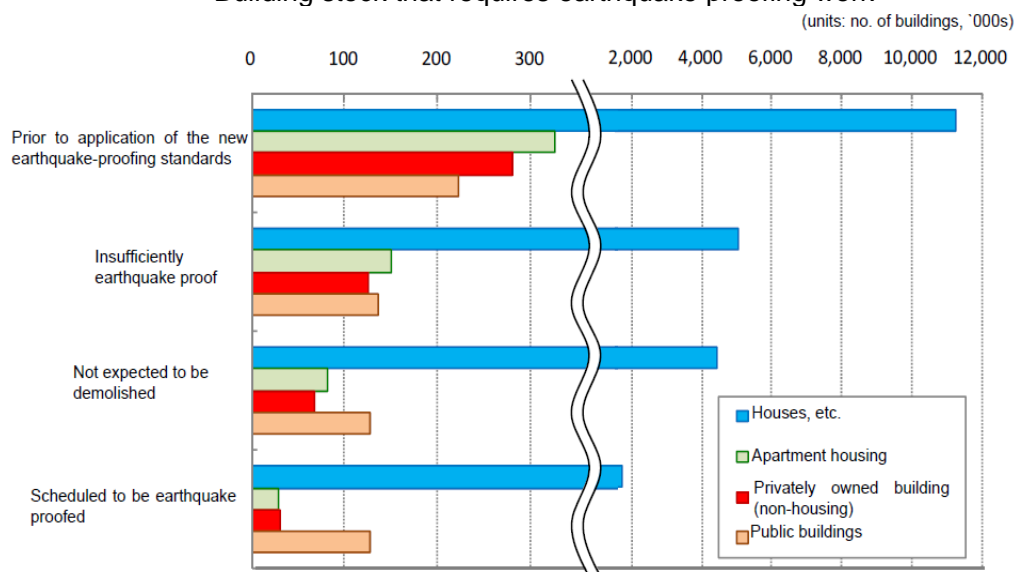
Local government expectations of construction company preparation for disaster management



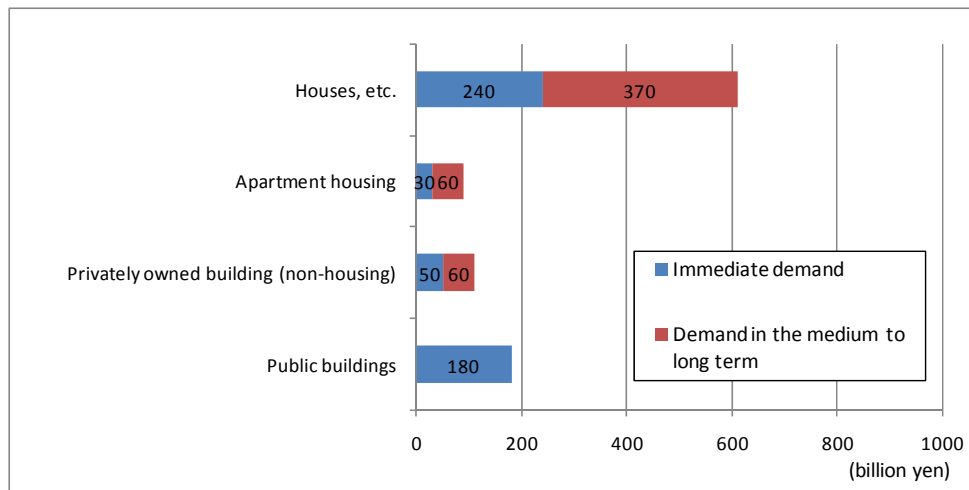
### 2.3 The needs for, and business potential of earthquake retrofitting

- Amid a series of major earthquakes both in Japan and overseas, people are well aware of the necessity to reinforce buildings and other structures to make them more resistant to tremors. On the other hand, more could be done in Japan to reinforce buildings against earthquakes. As business conditions in the construction market grow more severe, the market for renovation work, including reinforcement against earthquakes, offers hope for regional construction companies.
- Of the stock of buildings constructed before the new earthquake-proofing standards came into effect (12 million buildings as of 2008, having a total floor area of 2.3 billion square meters) it is estimated that 5.4 million of them (accounting for a total floor area of 1.0 billion square meters) have not been reinforced to make them more resistant to earthquakes.
- On the other hand, some 30 years have passed since the new earthquake-proofing standards came into effect, so it is foreseeable that a certain proportion of this stock of buildings will be demolished in the near future. Many building owners are not willing to have their buildings earthquake proofed. Considering these factors, it is estimated that the stock of buildings for which there is potential demand for earthquake-proofing work is about 2 million buildings, with a combined floor area of 500 million square meters, representing total demand for earthquake proofing work worth approximately 5 trillion yen. If those reluctant to have this work done can be persuaded to do so, further orders worth approximately 4.9 trillion yen can also be included.
- The major factors responsible for the reluctance to buildings earthquake-proofed are economic ones. Another significant factor is the low level of recognition of the necessity for this reinforcement work. We believe that it is necessary for construction companies to take steps to raise levels of interest in earthquake proofing.
- The first step that regional construction companies need to take to gain this kind of work is to approach building owners, local governments and other groups who have a positive attitude towards earthquake proofing. It is also important for these construction companies to gain orders from parties who are reluctant to invest in or who have little interest in earthquake proofing. It is important for these companies to not only acquire the management techniques to conduct earthquake proofing work, but also to cooperate with various local groups and gain the trust of local residents.

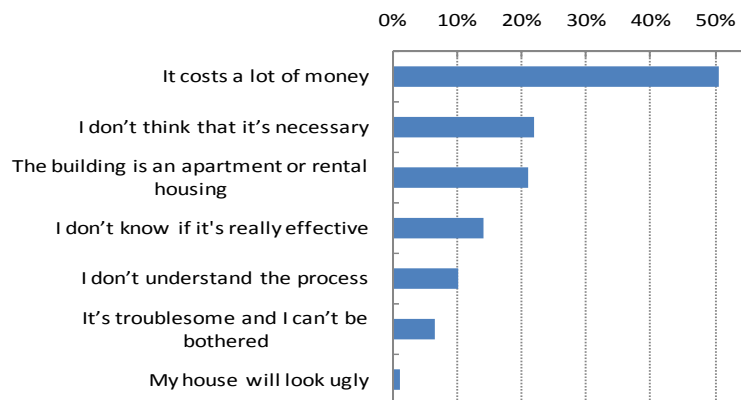
Building stock that requires earthquake proofing work



### Expected demand for earthquake proofing for various types of buildings



### Reasons for not having planning to have earthquake proofing (Individual houses)

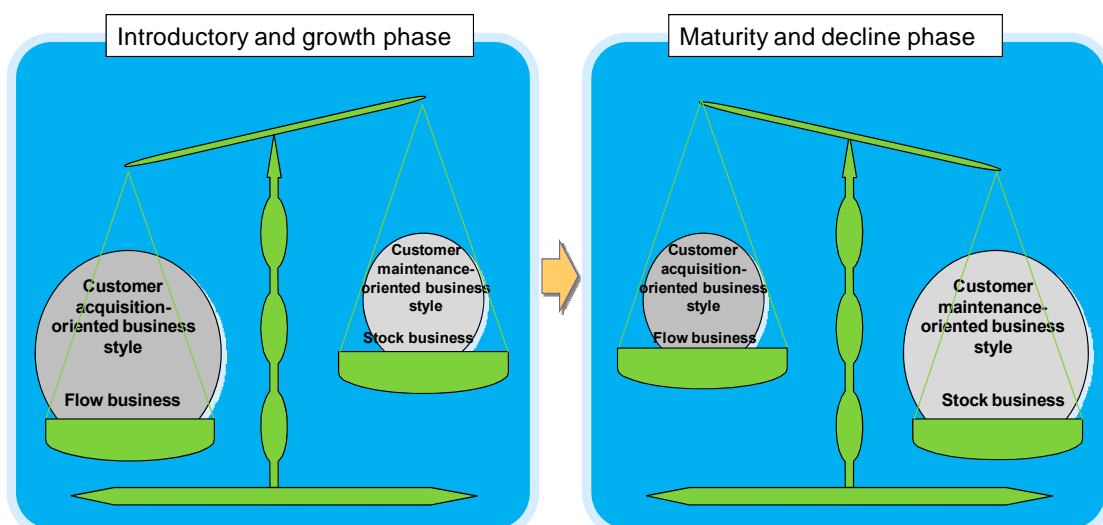


## Chapter 3 The Construction Industry

### 3.1 Stable corporate management that can overcome the business slowdown of the maturing construction market

- The construction industry in Japan has passed its growth phase and is entering maturity. The slowdown in work volume is due to structural factors (the hollowing-out of industry, reductions in population and the number of households, etc.). While the state of the underlying conditions for the recovery of the construction industry are unclear, companies in the course of their ordinary construction projects are finding that: 1) it is difficult to make sales and profit forecasts; 2) they cannot look forward to high-volume jobs; 3) it is taking a long time for the cash to flow from a project; and 4) since profits are temporary, it is difficult to maintain a stable management base.
- How can construction companies achieve a steady level of corporate management to survive in a maturing construction market? This section examines two challenges faced by companies repositioning themselves in the market and developing strategic approaches: firstly, to pursue their stock business that is capable of producing continuous profits through steady expansion upstream or downstream in the construction value chain; and secondly, to create a business that can establish long-term relationships with customers and enable them to achieve maximum benefits through the use of buildings or the structures they have built. To attain these goals, the company needs to: 1) repeatedly gather, analyze and utilize customer data at each step of the value chain and; 2) increase the level of cooperation between operations in each section of the value chain to better meet customer needs.
- Results of interview surveys conducted on construction companies indicate that systems to maintain stable corporate management described above have many features in common with those used to maintain their profitable operations.
- Until now, construction companies have tended to focus on a business style aimed at acquiring customers. Their business style has been a "flow business" that is, constructing a building and generating a one-time income from that project. From now on, construction companies should look towards a business style that retains customers and consider a "stock business" style that generates revenue from servicing a product (real estate leasing, real estate management, etc.) rather than simply the manufacture of the product itself. In this way, they can build a stable business base that is founded on both flow business and stock business aspects.

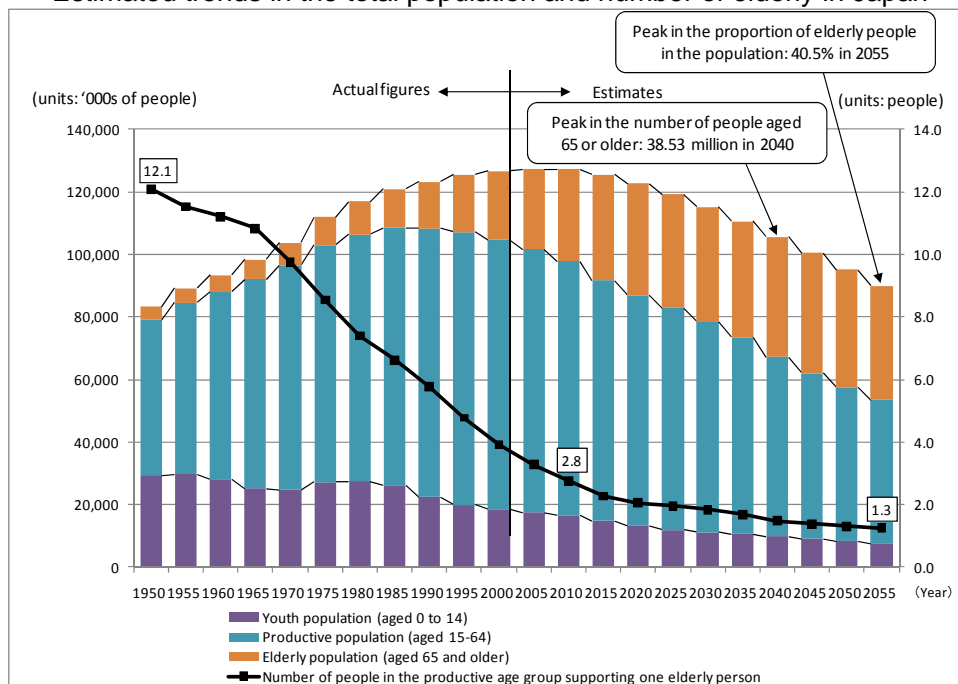
Suggestion: Construction companies should look at stock businesses while shifting their business style towards customer maintenance



### 3.2 The arrival of the “super-aged” society in Japan and the need for the provision of a suitable living environment

- In Japan today we are heading towards a “super-aged” society with a very high proportion of very old people but a very low proportion of children. This situation is giving rise to a number of serious problems. We believe that to overcome these problems it is essential that we discuss the issue of what the basic structure of a "super-aged" society will be like. We need to aim to create a society in which elderly people can live active, healthy, independent lives in which their period of dependency on medical treatment and nursing is shorter.
- RICE analyzed the situations of the elderly from a variety of perspectives, including their physical characteristics, the problems that they face (their health, their concerns about their future, etc.), the situations in elderly households and other aspects. We indicated the various issues and problems facing Japanese society, including the decline in the working population, the increasing cost of social security benefits, the increase in the number of elderly households and changing household structure, and the living environment of the elderly.
- We clarified a range of measures that are necessary as Japan becomes a “super-aged” society. These include: 1) the need by 2030 at the latest to complete the formation of a society in which the elderly are in a good state of health and can work; 2) the need to create a living environment in which the elderly can be healthy and not injure themselves; 3) the need to create a system whereby local communities as a whole can support the overall life needs of the elderly; 4) the need to try to make the residential environment of elderly people free of barriers and other obstacles that can cause injuries; and 5) the need to set up facilities and housing for senior citizens that have the nursing and support services that the elderly need.
- To put the measures listed in 1-5 above into effect, it will be insufficient to merely promote the construction of retirement homes or senior-citizen-friendly housing; what is needed is a remodeling of Japanese cities and a re-invigoration of towns and local regions based on the awareness of the transition of Japan into a "super-aged" society. We also need to create a transportation networks that the elderly can use in safety, and make improvements to all aspects of the living environment of senior citizens in Japan.

Estimated trends in the total population and number of elderly in Japan



## Chapter 4 The Bidding and Contracting System

### 4.1 Trends in the use of bidding and contracting systems by local governments

- The drop-off in private demand due to the recent deterioration of the economy together with a decline in public works has led the Japanese government to issue a series of emergency economic measures. For their part, local governments are coming up with their own policies, and there are signs of changes to their bidding and contracting systems. RICE conducted a questionnaire survey to gain a better understanding of the way that these bidding and contracting systems are used.
- Following the revision of the model by the Central Liaison Council for Implementation of Public Works Contract Systems in April of 2009, many local governments revised their general competitive bidding systems (minimum price systems and low bid-price investigative systems) to prevent the practice of “dumping.” As a result of these changes, it is expected that the incidence of bidding without regard to profitability will decline and that the practice of dumping will be suppressed. Many local governments have also introduced their own anti-dumping measures.
- Some local governments responded that they have amended their general competitive bidding systems to make it easier for local construction companies, who are supporting the local region and economy, to participate. For example, they only allow companies from a certain region to bid for projects. In addition, local governments are establishing their own requirements for participation in competitive bidding as a part of their measures to stimulate local economies.
- While the practice of general competitive bidding has become more widespread, we must not overlook the application of designated competitive bidding to certain projects.
- A general evaluation system has been introduced to all Japanese prefectures and major cities. From FY2007 to FY2008, the number of cases of where this system was applied increased among almost all local governments, particularly amongst prefectural governments. This system is being introduced in two versions: a “simplified” version and a “special simplified” version. It is believed this evaluation system will continue to be more widely used in the future.
- The major feature of this general evaluation system is the incidence of the winner not being the bidder who bid the lowest price. The rate of success of such bidders may vary greatly among the local governments, due to the number of times the general evaluation system is applied, the evaluation method, the weightings given to the evaluation criteria and other factors. In general, the number of occurrences is increasing.
- Many local governments use the division method (technical points divided by price) in the general evaluation system. Some local governments use a combination of both the division method and the addition method (price points + technical points). Many local governments are changing over from using the division method to applying the addition method. There are also some cases where local governments have established their very own standards for calculating the values of projects put up for bidding.
- In future, local governments will continue play a major role in regional economies by providing opportunities for construction companies to gain orders for public works. We need an effective bidding and contracting system that can maintain and foster a construction industry that reflects the economic circumstance of the regional community as well as its geographical and industrial structural characteristics.

Cases of application of the general evaluation system in prefectures and major cities  
(according to type of system)

	FY2007	FY2008	FY2009 (to September)	Proportion(%)		
				FY2007	FY2008	FY2009
Advanced technical proposals	7	8	2	0.1%	0.1%	0.0%
Standard	483	786	383	8.9%	7.1%	4.1%
Simplified	2,576	4,484	2,710	47.6%	40.7%	28.9%
Special simplified	2,348	5,625	6,154	43.6%	51.0%	65.6%
Other	0	120	139	0.0%	1.1%	1.5%
Total	5,414	11,023	9,388	100.0%	100.0%	100.0%

## Chapter 5 Overseas Construction Industries

### 5.1 The construction market in the Middle East and the entry of Japanese companies into this region

- Due to the global economic recession, Japanese construction companies have experienced severe difficulty with the profitability of their projects in the Middle East. These companies have not received any new orders since FY2009. In the meantime, they are doing their utmost to see their existing projects through to completion and are trying to build up networks and experience.
- In 2010 the Middle East and North African region (MENA) continued its steady economic growth backed by the wealth of resources in the region. The GDP growth rates of the 6 GCC (Gulf Cooperative Council) nations (the UEA, Saudi Arabia, Oman, Kuwait, Bahrain and Qatar) are estimated to range from 6 to 8%.
- In recent years the nations of the Middle East have rapidly urbanized and their populations have grown enormously, with the result that levels of consumption of electricity and fresh water have soared. It is estimated that by the year 2015, the power generation capacity of the GCC nations will have to increase by some 80% over its current level and the supply of fresh water will have to double. These countries are rushing to enter contracts with private companies for building and managing IWPP projects (Independent Water and Power Projects). The IWPP market is forecast to grow to be worth up to \$US70 billion by the year 2015.
- Car traffic volume has rapidly increased in recent years with the growing population. The GCC nations are pushing ahead with road construction projects. It is estimated that these countries will spend at least \$US1 billion in this area over the next 10 years.
- Investment in construction projects in the Middle East is expected to grow. Japanese construction companies should pursue a course of business development in this area over the medium to long term. Japanese companies should consider mergers and acquisitions, and establish local ventures as well as international partnerships with companies from outside the region to do business in the Middle East. We believe that promoting the localization of business ventures while steadily investing in the region will pay dividends for Japanese construction companies in the future.
- For Japanese construction companies to increase the proportion of their orders that they derive from overseas, then there will be limits to what they can gain solely through construction subcontracting. Companies should aim in the medium to long term to diversify both the engineering sectors and the concession businesses where they are involved and seek to take a leadership role in overseas construction projects.

The Middle Eastern and North African region (MENA)



GDP growth rates of nations in the MENA region (%)

Country	2009	2010 estimated
United Arab Emirates	-0.2	4.2
Algeria	2.1	3.7
Yemen	4.2	7.3
Iraq	1.5	2.2
Iran	4.3	5.8
Egypt	4.7	4.5
Oman	4.1	3.8
Qatar	11.8	18.5
Kuwait	-1.6	3.2
Saudi Arabia	- 0.9	4.0
Syria	3.0	4.2
Sudan	4.0	5.5
Tunisia	3.0	4.0
Bahrain	3.0	3.7
Morocco	5.0	3.2
Jordan	3.0	4.0
Libya	1.8	5.2
Lebanon	7.0	4.0

Source: IMF

Construction investment in the MENA region in 2010

Country	Scale (\$US billion)	Percentage in the total region(%)
Saudi Arabia	214.5	29.5%
United Arab Emirates	212.9	29.3%
Kuwait	48.9	6.7%
Algeria	37.5	5.2%
Tunisia	35.1	4.8%
Qatar	33.8	4.7%
Bahrain	29.3	4.0%
Egypt	26.0	3.6%
Iraq	22.3	3.1%
Syria	20.6	2.8%
Jordan	16.6	2.3%
Oman	12.8	1.8%
Iran	6.7	0.9%
Morocco	5.0	0.7%
Yemen	2.2	0.3%
Lebanon	1.0	0.1%
Libya	0.7	0.1%

Source: MEED.

## 5.2 Trends in overseas construction markets

- Compared with GDP levels in Japan in 2009 (= 100), the figures in overseas markets are as follows: 282 for the United States, 330 for Europe and 207 for Asia. The construction investment-to-GDP ratio was higher in Asian countries than in other regions.
- The US economy has been showing signs of improvement since the 3rd quarter of 2009. Construction investment began to decline in 2007 and its drop has tended to deepen, but there are now signs that the declines are becoming less severe.
- All European countries – Western, Central and Eastern alike – are expected to record negative economic growth in 2009; however, Central and Eastern Europe are expected to recover in 2010, with Western Europe expected to enter a period of positive economic growth in 2011.
- Western European construction markets have been stagnant since 2009, but are expected to recover in 2011. Eastern European construction markets are expected to continue expanding in 2009 and beyond.
- In 2009 about half the economies of the nations in the Asian region were in recession, but it is expected that in 2010 all will recover into positive territory. In particular, the Chinese economy is expected to continue to maintain high levels of economic growth, with 8.5% in 2009 and 9.0% in 2010.
- Construction investment in Asia in 2008 grew at an annual rate of more than 10% in 8 of the regional economies, including China and India. Investment grew substantially in China, at 38%. Levels of construction investment, particularly in the developing nations, are expected to continue to increase.

Trends in GDP growth rate of selected countries

	2005	2006	2007	2008	Forecast 2009	Forecast 2010
US	3.1	2.7	2.1	0.4	-2.4	3.1
Western Europe	1.8	2.9	2.7	0.7	-3.8	0.0
Central and Eastern Europe	4.2	6.0	6.2	3.7	-1.5	0.8
China	10.4	11.6	13.0	9.0	8.5	9.0
Hong Kong	7.1	7.0	6.4	2.4	-3.6	3.5
Taiwan	4.2	4.8	5.7	0.1	-4.1	3.7
India	9.2	9.8	9.4	7.3	5.4	6.4
Indonesia	5.7	5.5	6.3	6.1	4.0	4.8
Korea	4.0	5.2	5.1	2.2	-1.0	3.6
Malaysia	5.3	5.8	6.2	4.6	-3.6	2.5
The Philippines	5.0	5.3	7.1	3.8	1.0	3.2
Singapore	7.3	8.4	7.8	1.1	-3.3	4.1
Sri Lanka	6.2	7.7	6.8	6.0	3.0	5.0
Vietnam	8.4	8.2	8.5	6.2	4.6	5.3
Thailand	4.6	5.2	4.9	2.6	-3.5	3.7
Australia	2.8	2.8	4.0	2.4	0.7	2.0
New Zealand	2.8	2.0	3.2	0.2	-2.2	2.2
Japan	2.3	2.3	1.8	-3.7	-2.0	1.0

### Sources:

IMF "World Economic Outlook (WEO) Sustaining the Recovery, October 2009,"  
 67th Euroconstruct Conference material, June 2009,  
 Economic and Social Research Institute(ESRI) of the Cabinet Office "FY2008 National  
 Economic Accounts" and,  
 RICE "Outlook for Construction Investment based on the Construction Economy Model  
 (October 2010)"

Notes:

- 1) Real GDP growth rates for Japan are based on the report from ESRI (listed above) for 2005 and 2008, and estimates made by RICE for 2009 and 2010 ("Outlook for Construction Investment based on the Construction Economy Model (October 2010)").