Compass International – Global Construction Newsletter: December to February 2017

All around the world, uncertainty has generated caution in the Global Engineering and Construction market. Two unexpected events have come about in the last six months: Brexit and the election of Donald Trump to be the 45th President of the USA. A lot of governments and private investors are taking a hiatus for the next 3 to 6 months to consider what the ramifications of Brexit and a Trump Presidency means to their particular economies and construction sectors. Donald Trump's surprising election win could positively impact the US construction sector in 2017 and the following four years beyond, however some countries could experience a construction related slowdown from his election.

The global construction market is forecast to experience a steady growth cycle, increasing between 2.5% and 4.5% in the next five years, assuming no major conflicts or economic disruptions occur. India, China, Indonesia, Vietnam and the USA are anticipated to be the leading major construction markets that will experience growth in the 1st Q of 2017. India's construction sector appears to taking the # 1 most active spot from China as we move into 2017.

President-Elect Trump has started to gather a team of Cabinet Members and related staff to his future government, the US engineering and construction sector is scrutinizing his pre-election and post-election statements for pointers about his plans and the direction he will embark on when he takes office on 20th January 2017.

A major President-Elect Trump's campaign topics was a pledge to generate millions of new jobs and boost expansion of the US economy.

Trump's transition team recently pronounced 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.

US construction sector senior managers are optimistic that President-Elect Trump's infrastructure plan will pass through the US Congress in President Trumps first 100 days.

US Oil / Gas and Energy companies are looking for a rollback of current Environmental Protection Agency (EPA) regulations. President-Elect Trump has voiced many times his dislike for the across-the-board regulatory procedures sanctioned by the EPA in the last eight years, he will seek a significant regulatory cutback.

The task of OPEC laboring to maintain and bolster oil prices in the $45 to $50 a barrel range has got a lot more challenging with Donald Trump capturing the U.S. presidency. 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.

We seem to be entering an unpredictable period in the global construction market. There is growing skepticism of Governments & current trade policies. Protectionism & the talk of future trade barriers are increasing not just in the USA but all around the world. These opinions have gained a foothold in Europe, Asia & South America in recent months. The election of Donald Trump has in many ways only increased this thinking.

India will overtake China and the USA with the highest direct foreign investment in 2017, its economy is forecast to grow by more than 7.5% in 2017, the Indian construction sector is set to see solid growth in 2017. Infrastructure, major roads, ports, airports, low cost housing, schools, hotels, manufacturing, fertilizer, petro-chemical, gas facilities & power plants are driving the Indian economy forward. The Global Engineering, Procurement & Construction (EPC) scenarios for the 1st half of 2017 are somewhat promising, from the more than nine years of economic difficulty we have witnessed. India, China, Vietnam, Indonesia, China, and the USA are seeing a growth in their construction sectors. However, certain counties such as Argentina, Brazil, France, Italy, Greece, Spain, Ireland, Portugal, Russia and a number of Eastern European countries are still experiencing unemployment in their construction sectors in the 10% to 20% range, look for this to continue for the 1st half of 2017.

Ongoing issues and problems in Syria and Ukraine have stymied construction activity in neighboring countries.

The Global Construction market is projected to expand over the next five years to a value of $10 + trillion. This growth will be driven by population expansion, the movement of people from rural areas to cities & towns, lower cost labor / business opportunities & the development of basic infrastructure needs (roads, schools, hospitals, airports & the like).

Global Regional GDP Growth in 2017:

Region	Forecast of 2017 GDP Growth
North America	2.4% to 2.8%
South America	1.2% to 1.8%
Western Europe	1.2% to 1.5%
Eastern Europe	0.9% to 1.4%

Middle East	2.1% to 2.3%
Asia / Australia & New Zealand	2.4% to 3.0%
Sub-Sahara Africa	1.9% to 2.4%

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

1. Donald Trump's surprising election win, that could favorably impact the US construction in 2017 and the possible negative political and currency effect it could have on European Union (EU) countries.
2. The "cancellation" of Iran nuclear deal by the new Trump administration.
3. The probable weakening of the European Union (EU), which now faces more uncertainty after the "Brexit" leave vote and the election of Donald Trump.
4. China's land reclamation & continuing construction projects in the Spratly Islands, a highly disputed area in the South China Sea & the response of China's neighbors and President Trump.
5. Nobody knows what barrel oil will cost in the next six months, will it be $30 or $60 a barrel.
6. The weakening of the Euro to the US Dollar.

If some of these issues can be work out or put to rest then the global construction sector has a decent chance to grow & prosper in the next two to five years - particularly in some of the 2nd and 3rd world developing economies of South East Asia, Africa & South America.

Things we will see in 1st Half of 2017:

USA, CANADA and MEXICO

Construction activity overall in the US is forecast to increase by 4% to 6% in 2017 over 2016 levels. New U.S. single-family home are forecast to have a decent 2017, increasing by 10% over 2016 activity. Industrial construction such as refineries, gas facilities, chemical and power plants are forecast to see steady growth in the 2% to 4% range in 2017 over 2016 levels.

President Trump will be "a shot in the arm" for most of the US Energy Industry (oil, natural gas and coal industries) in the next four years; this is the takeaway from his many campaign speeches. Renewable energy sources like wind, nuclear, solar and tidal may take a back seat and not do that well without subsidies that the current administration impose. It's going to be challenging for renewable energy projects to match the current low price of U.S. domestically produced oil and natural gas.

President Trump is a big proponent of the XL / Keystone Pipeline linking Alberta Oil Sands in Western Canada –with the US Gulf coast refineries; look for this major project to get "resurrected" again in 2017, it is estimated that this pipeline would create 20,000 to 40,000 construction related jobs. Current estimates are that U.S. oil production could jump by as much as 500,000 to 1,000,000 barrels a day if President Trump's campaign speeches are legislated.

President Trump's administration is expected to push ahead with additional Oil & Gas exploration and drilling on US federal lands, as opposed to President Obama's administration that has just about stopped this effort in the last six years. U.S. western states such as New Mexico, Arizona and Colorado are expected to be the major beneficiaries of this activity. All of this translates to greater Engineering and Construction / CAPEX activity in the U.S. in 2017 and beyond. However, increased U.S .Oil & Gas production will mean less imported oil from countries such as Venezuela, Nigeria and Saudi Arabia. These countries will be forced to discount their prices, it is not unrealistic to see oil trading in the $30 to $35 a barrel range in mid-2017. There is also the probability that President Trump will take a tougher approach on Iran- this is a double edged sword, Iran's oil production is currently ramping up, if this is production is curbed then oil prices could start to move upwards again to perhaps the $40 to $45 barrel level.

Short term, 2017 and beyond should be good for oil and infrastructure related construction in the US. President Trump has majorities in both houses of Congress, (President Reagan never controlled both houses of Congress) this will enable him to follow through with his campaign promises.

The forecast for 2017 GDP growth is 2.1% to 2.4%. The US commercial construction sector (Offices, Hotels, Single Family Homes etc.,) will experience a steady improvement in the 1st Half of 2017 (consumer confidence is improving) with the election of President Trump. Home builders are forecasting a 5% to 8% increase in new home sales from 2016 levels, a decent improvement. The forecast for new home sales is in the 750,000 to 850,000 units for 2017, up significantly from a couple of years back.

President Trump proposing a ten year $1 trillion plan to fund new infrastructure (highways, airports, bridges, tunnels and the like).

2017 will see the construction of a number of petrochemical plants, pipelines and gas gathering facilities valued at more than $1 Billion in the Appalachian Region of the USA (Ohio, West Virginia and Pennsylvania).

USA “bulk” material costs have for the last year or so remained flat with perhaps structural steel being the one commodity that has bucked the trend, prices of structural steel have fallen between 5% and 7% in the last 3 to 6 months. Construction materials are forecast to increase by 1.4% to 1.9% in 2017. USA Construction labor rates are expected to increase by 1.6% to 2.4% in 2017 over 2016 levels.

Commercial construction offices, hotels, shopping malls and similar facilities are forecast to grow by 3.5% to 5.5% in 2017 over 2016 levels.

Infrastructure, transportation and water supply / disposal construction are forecast to grow by 3.3% to 5.2% in 2017 over 2016 levels.

The Gulf Coast region has seen labor cost increases between 2.7% to 3.8% in the last 12 months, there continues to be a shortage of skilled workers in this region due to the major 10 + ethylene, refinery expansions and LNG Export terminals that are currently being constructed, a number of these facilities will be substantially completed by the 4th Q of 2017.

The fall in crude oil prices from $104 a barrel only 2 + years back to its current $40 to $45 a barrel range has focused and reduced Oil company’s future CAPEX expenditures, however CAPEX work related to refineries, petro-chemical facilities and pipelines is expected to pick up when President Trump enacts his proposed legislation. CAPEX spending on Energy related projects is forecast to increase 5% to 7% a year through 2019.

Pipe fabrication costs are forecast to increase by 0.9% to 1.8% over 2016 pricing levels due to the significant ongoing work on multibillion dollar CAPEX projects currently being executed on the US Gulf Coast. Drywall, plywood, and framing timber costs are increasing year to year by 2.5% to 5.5%, due to a somewhat improvement in the US “new” housing market. However, steel products such as rebar and structural shapes have decreased by 5% to 7%. Look for structural steel products to start increasing again by 1.5% to 2.5% in 2017.

The US overall unemployment rate in the 1st half of 2017 is forecast to be in the in the 4.7% to 4.9% range. In 2017, the construction sector is forecast to employ around 15 to 17 million workers. Currently, unemployment in the USA construction sector is in the 6.0% to 6.5% range, a huge improvement from a year or two back. As mentioned above, the US Gulf Coast region is currently experiencing a skilled worker shortage (Welders, Pipefitters & Electricians) due to the 6 to10 multibillion dollar CAPEX projects currently being executed. Some of these projects are employing between 3,000 and 5,000 construction workers, the manpower needs for these projects. This shortage will be essentially over by the end of 2017 when most of these major projects are completed. US Natural Gas / Shale Oil / Ethane / LNG exports are projected to grow appreciably over the next decade or two as US production increases. Europe is now importing US Shale Gas.

The weakening of oil / gas and commodities markets around the world has impacted the **Canadian construction** sector. Construction costs (labor and materials) are forecast to stay relatively flat, in the order of 1% to 2% for the next 3 to 6 months. Canada’s population is growing; this growth will have a positive impact on New Home / Apartments, Health Care, Hotels, Retail and Office construction. Overall, Canadian construction is primed to have a decent 2017. Canadian housing starts continue to surge in just about all the Canadian Provinces. Toronto and Vancouver housing prices continue to increase unabated, prices have increased between 4% and in some cases 9% in 2016. New housing starts are projected to be in the 200,000 to 250,000 range for 2017. The latest 2017 GDP growth forecast is in the 1.7% to 2.1% range, steady but not that great. 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.

One of President Trumps campaign promises was to repeal or renegotiate NAFTA in the next 2 to 3 years, this could seriously impact **Mexico**. The current thinking is that the Mexican construction sector could slow down quite rapidly in the next six months as private investors and government agencies make sense of what a Trump Presidency means to the Mexican economy. The Mexican Peso is currently trading at 20.75 Pesos to the US Dollar (November 25th 2017, a drop of 11% since the 8th November 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 from 3% to possibly 5% or 6.5% by the 4th Q of 2017.

EUROPE

Europe is waiting to see what President Trump’s trade policies are and what impact they may have on European economies and their engineering and construction sectors. The Trump election has certainly created a lot of uncertainty in the Eurozone and the rest of Europe.

The economic impact of "Brexit" is still being felt 6 months after the vote and the election of Donald Trump, the Pound Sterling has dropped more than 20% against the US Dollar. The jury is still out on “Brexit” – some experts believe it will positively impact the British construction industry, while there is another group that forecasts the opposite.
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The waning of the European Union (EU), which now faces uncertainty after the Brexit vote. It survived the Greek financial crisis back in 2013, the (EU) is not likely to collapse in the next 12 to 24 months, nevertheless, the internal tensions are increasing with some countries demanding a referendum on whether to stay or leave, what will the (EU) look like in 5 years?

Germany's economy has been affected by Britain's vote to leave the European Union, overall business confidence has declined since the “Brexit” vote June, some experts are forecasting anemic growth for the German economy and its’ construction sector in the 1st Q of 2017. GDP growth is forecast to be 1.3% in 2017, unemployment is currently 6.1%, latest forecasts are that this will possibly increase to 6.3% by mid-2017. Germany’s Chancellor Angela Merkel is facing continued resistance to her migration policy, however despite this she has recently announced that she will seek a fourth term in 2017. Germany is the largest economy in the Euro Zone, slow or marginal growth appears to be on the cards for the 1st half of 2017, the issue of resettlement the 1.5+ million refugees from the Middle East & North Africa is still an ongoing issue. The German GDP forecast for 2017 is projected to be in the 1.5% to 1.8%. The recent minor decline in the unemployment rate is encouraging,

Economic growth in Italy, France, Spain and the Netherlands is expected to be flat in 2017, as the Eurozone financial challenges continue. The European Union currency alliance (19 out of 28 EU members) continues to be held back by high unemployment and excessive debt levels, the Euro is forecast to trade in the 1.00 to 1.05 to the US Dollar in the 1st Q of 2017, considerably lower than a year or two back. The British economy and its construction sector has weathered the “Brexit” storm and is rebounding from its short post-Brexit dive, while the German economy and its construction sector experiences a slowdown. Latest indications following the Brexit vote in late June is that consumer confidence appears growing in Britain. Britain was confirmed as the fastest growing G7 economy between August and October 2016. Britain’s infrastructure spending dropped by 10% immediately after Brexit, however this trend and the British housing market is now starting to trend upwards again as we move towards the 1st Q of 2017.

The unresolved Greek debt Euro crisis & the rise in skepticism regarding Turkey & other eastern European countries joining the (EU) are additional challenges that need to be resolved. Europe is forecast to see 1.4% GDP growth in 2017, 2017 GDP growth is forecast to be to between 1.2% & 1.6% still not what it needs to be. The European construction sector is expected to see minimal growth for the next 2 years.

The French economy is forecast to grow by 1.1% to 1.3% for the 1st half of 2017 (nothing to get excited about). A weaker Euro exchange rate to the US $ ($1.06 on 11/27) & lower energy costs are projected to maintain France on a moderate path forward to a somewhat economic recovery. The construction sector continues to experience lethargic growth; however there are number of major infrastructure / transportation projects in the pipeline. Unemployment in France is forecast to be in the 10% to 11% range in 2017, with construction unemployment in the 14% to 17% range.

Construction costs in Britain are moving upwards again in the 2.5% to 3.4% range. British Trade Unions are looking for increases in hourly wage rates of between 4% & 6%, if this happens look for inflation & construction costs to start increasing in the 1st half of 2017 & beyond. The London area is especially active construction-wise, other parts of the UK are relatively slow. Major Nuclear power projects in Wylfa, North Wales (Anglesey) and in Hinkley Point, these two projects are valued between $30 & $40 billion have recently been announced, however there are some doubts about the Hinkley Point project moving ahead. The UK GDP is forecast to grow in the 0.8% to 1.1% range in 2017, the unemployment rate is improving, currently at 4.8% level, however construction unemployment is higher at 5.5% to 6.8%.

European economies such as Portugal, Poland, Belgium, Sweden, Greece, Spain, Ireland & Italy remain slow-moving, low growth and high unemployment remains in effect. The uncertainty in the Euro Zone (28 countries) continue to squeeze construction spending in the majority of the Western & Eastern European construction sectors. The overall Euro GDP growth forecast for the 1st half of 2017 is between 1.0% and 1.5%, not too inspiring.

ASIA

Experts are advising that President Trump's election might be an indication for turmoil in China-US economic and trade interactions and may generate some challenges for the Chinese economy and its construction sector, in view of his tough position on trade with China during his election speeches.

China is attempting to re-calibrate its economy to be more domestic & environmentally sustainable model. China’s GDP is set to slow down further in the 1st Q of 2017, the latest forecast is 6.1%. Economic experts continue to have reservations on the reliability of China's Government statistics, these percentages could be overstated. China & other Asian emerging construction markets are starting to slow down compared to a year or two back; construction costs are for the most part moving at restrained rates, this is forecast to be the case for the next six months in most of Asia. In the last decade, Chinese EPC companies have improved their share of the global EPC market from approximately 6% in 2008 to 17% to 19% in 2017, look for this percentage to grow in 2017 and the coming years as Chinese EPC firms aggressively chase international construction work especially in Africa, Asia and North and South America. China’s economy is not about to crash, a lot of future investment i.e. construction work will be focused on the China’s western regions and into some of the smaller cities, such as Wuwei, Pingwu & Qamdo. Economic confidence has been compromised though with the huge stock market drops and rises in the last six months. The Chinese private property market is still overvalued by at least

25% to 35% according to industry commentators; 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 2017. China is undergoing a construction slowdown as we move into the 1st half of 2017 and beyond, bulk & engineered material prices are rising very modestly, 1% to 2% per year. Labor costs are a different matter, wage rates for Construction Professionals and Skilled & Unskilled Workers are increasing between 5% & 10% per year in some of the major coastal cities.

Other Asian construction markets are forecast to show progress in the 1st half of 2017. India will be the frontrunner of the "Asia Tigers." Infrastructure accounts for between 50% and 60% of India's construction sector, this will possibly increase due to the Indian Governments recent proclamation to invest and improve highways, railways and other forms of transport. India's GDP is forecast to grow in the 7.4% to 7.7% in 2017. The Indonesian construction sector is performing well especially in and around Jakarta, GDP is forecast to grow in the 4.5% to 4.9% in the 1st half of 2017. Vietnam & Singapore are all expected to see decent growth in the 3.3% to 5.3% range in 2017.

South Korea's 2017 GDP is forecast to see 2.7% growth, inflation will be in the 1.8% to 2.2% range and unemployment is forecast to be 3.3% to 3.7% in 2017.

Malaysia's construction sector is thriving as we transition into 2017, some large office buildings, shopping malls, hotels, roads, oil & gas facilities together with rail facilities are driving this growth.

Foreign investment is pouring into India as major US, European and Japanese companies eye India as a major growth country, look for this trend to continue in 2017 and beyond. India is now considered the # 1 growth market for construction related services followed by China the # 2 & Vietnam # 3. Other potential Asian construction related growth markets include, Thailand, the Philippines, Laos & Singapore - all countries are demonstrating decent construction related growth potential for the 1st half of 2017 & beyond. Chinese & Indian Engineering and Construction worker wage rates have increased between 5% and 10% in 2016, look for this trend to continue in 2017.

Japan's recently announced Government stimulus policy has not appeared to work. Japan's GDP is forecast to grow in the unsatisfactory 0.7% to 1.1% range in 2017. The Japanese unemployment rate is forecast to be 3.0% for the next 3 months, Japanese inflation is forecast to be in the 0.4% to 0.6% range in 2017.

Chinese & South Korean EPC firms continue to aggressively market & successfully execute large EPC projects around the world, pushing out or making life more difficult for the once "dominant" US, Japanese & European EPC firms.

AFRICA

Not enough skilled workers both in construction & manufacturing will continue to limit South Africa's economic growth for the 1st half of 2017. Depressed oil & commodity prices continue to hinder the 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. South Africa's President Jacob Zuma has laid out plans for a $450 billion 15 year spending plan aimed at new roads, bridges, ports, telecommunications and power facilities.

Inflation in Nigeria has recently moved up to a 7 year high Nigeria's GDP is forecast to grow in the 0.9% to 1.1% range in the 1st half of 2017. Less oil imports to the USA could be one of the results of President Trump's domestic oil policy. Ethiopia, Cameroon, Cote d'Ivoire, Kenya & Tanzania, are all forecast to experience GDP growth for 2017 in the 3.2% to 4.2% range. On the other hand, both South Africa & Nigeria, (Africa's two largest economies) will experience slow or no growth in 2017. If oil remains in the $45 to $50 a barrel range there could be an uptick in construction activity in Nigeria, Uganda, Equatorial Guinea & Cameroon. If oil prices retreat to $35 to $45 a barrel range the opposite will be the case.

RUSSIA

President-Elect Trump appears to be very popular in Russia, he has been commended since commencing on his Presidential campaign. It would appear that President Putin and President Trump have some similar views on how to resolve the ISIS problem, this could be the start of improved ties between the USA and Russia.

The Russian economy is expected to improve in the 1st half of 2017 and of course this will positively impact construction activity.

USA & European sanctions have seriously impacted the Russian construction sector in 2016, this situation could improve in 2017 with the new US President. Unemployment in the construction industry is somewhere between 10% and 15%. Falling oil revenues & trade restrictions from the European Union and the USA over the Ukraine situation has been a drag on the Russian construction sector: Construction inflation in the 1st half of 2017 is forecast to be in the 5.5% to 6.5% range. The Russian construction market is forecast to experience minimal growth in the oil & gas sector & modest growth in the commercial / housing construction sector in the 1st half of 2017. Construction work for 2018 World Cup continues. The GDP forecast for 2017 is between 1.2% & 1.5%, very disheartening from a decade back, however this could improve with a new US President and his future policies.

SOUTH AMERICA

South America's construction sectors continue to struggle with restrained demand for EPC services. Brazil, Argentina & Venezuela continue to find 2017 to be a challenging year; they are all in recession. The other major countries, i.e. Colombia, Ecuador, Peru & the Central American nations will all see restrained GDP growth in the 1st half of 2017, ranging between 2.1% to 2.7%. The recent expansion of the Panama Canal will be a big plus for South America economies & their construction sectors.

Chile is forecast to see GDP growth in 2017 at a rate of between 1.4% and 1.7%, inflation will be in the 4.1% to 4.3% range while unemployment will be in the 6.7% to 7.3% range.

Argentina is experiencing a slow adjustment to the new elected government's policies.

Brazil is currently experiencing a slowdown in its construction sector, unemployment in the Brazilian construction sector is in the 10% to 15% which is historically very high for Brazil. With the Olympic Games now over, look for unemployment in the construction sector to increase. The change in leadership will not put a quick fix of Brazil's economy & construction sector, the recession is expected to continue throughout 2017. GDP is forecast to grow in the discouraging 1.1% to 1.3% range in the 1st half of 2017.

Oil prices have fallen in the last six months; this is discouraging news for 2017 CAPEX spending in Mexico, Colombia, Peru, Venezuela & Brazil. The South American construction / Infrastructure / Commercial Construction markets will experience moderate growth in 1st half of 2017; Commercial & 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), Colombia and Mexico; look for this trend to continue in 2017. The Venezuelan economic situation becomes more & more disastrous as we move into the 1st half of 2017, the question is how long can this continue. Fidel Castro died in late November, will his passing have any impact on "Socialist" type counties such as Bolivia, Venezuela and Nicaragua?

MIDDLE EAST

Middle East countries are waiting to see what President Trump's trade and political plans are and what impact they may have on Middle East economies and their engineering and construction sectors.

Construction activity in the Middle East region has started to see a slowdown in the 4th Q of 2016 due to lower oil prices. Look for this to continue in the 1st half of 2017.

Saudi Arabia (10 + million barrels), Iran (2 + million barrels) and some of the Gulf States (2 + million barrels) keep flooding the world oil market with crude oil that will keep a lid on oil prices for the 1st half of 2017.

Some Middle East EPC companies in Egypt, Saudi Arabia & some of the Gulf States continue to lay off construction professionals & field worker employees. Five years on since the Arab Spring "awakening", there are two different realities coming out of this region: some Middle East / North African countries (such as Egypt, Libya, Syria, Jordan and Algeria) continue to endure political and economic stagnation; Other countries such as Bahrain, Kuwait, Oman, Qatar and the UAE are experiencing growth and prosperity. The later mentioned Middle East countries will continue to experience reasonable construction growth in the range of 3.3% to 4.5% for 2017. Most of this growth will be fueled by energy / infrastructure projects. Lower oil prices have unquestionably slowed down the Gulf Cooperation Council (GCC) countries economic growth, i.e. Kuwait, Bahrain, Oman, Qatar, Saudi Arabia, and the UAE economies, including, of course, construction. 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 & construction market continue positive as we move into the 1st half of 2017. There are plenty of energy and non-oil related construction projects and opportunities that are still to be had. In Saudi Arabia, there is new economic financial / trade centers: the 100 mile Riyadh metro line 1 and 2 c/w 80 + stations, high rise offices, airports; hospitals and sport stadiums are all going forward with construction plans. In Bahrain, Kuwait and Oman there are plenty of high rise offices, airports; hospitals, schools, light rail transportation, rail links, electrical and water utility upgrades / infrastructure projects in the pipeline. In the UAE, there are new railway / metro systems, a nuclear power plant, large shopping centers, hotels, high rise offices, the 2020 Expo Trade Center, airport expansions, hospitals and sport stadiums that are all moving ahead with construction. Dubai is one of the fastest growing cities in the world. Qatar has no lack of construction work on high rise offices, airports; apartments, hospitals and sport stadiums. Egypt, Libya, Syria, Jordan, Tunisia and Algeria will continue to see zero growth in their construction sectors. One of Saudi Arabia's major construction companies Saudi Binladin recently released 70,000 + workers. In general, the Gulf Cooperation Council (GCC) economies are forecast to grow by 3.5% to 5% in 2017.

AUSTRALIA

Australia has sidestepped an economic slowdown (thanks in some measure to solid expansion in the private housing & commercial construction sector). Skilled labor availability has picked up substantially, salaries and hourly wage rates are forecast to remain stable or moderate slightly for 2017, unemployment in the construction sector is expected to increase in 2017. Low commodity (oil, gas and minerals) prices will continue to impair the Australia economy & construction sector. Australian construction inflation is forecast to be in the 1.2% to 1.8% range for the 1st half of 2017. Australia's GDP is forecast to grow in the 2.7% to 3.0% range in 2017. Unemployment in 2017 is forecast to be in the 5.5% to 5.9% range. New Zealand construction inflation is forecast to be in the 1.5% to 1.8% range for the 1st half of 2017. New Zealand's GDP is forecast to grow in the unsatisfactory 2.2% to 2.6% range in 2017. New Zealand unemployment in 2017 is forecast to be in the 5.1% to 5.9% range. New Zealand experienced a major 7.8 earthquake on Nov 14th near Christchurch that will cost billions of dollars to mitigate.

Country	2017 % GDP Growth	2017 Inflation %	2017 Unemployment %	Comments on Construction 2017 Future Spending Activity
USA	**2.1**	**1.6**	**4.9**	**Construction activity overall in the US is forecast to increase by 4% to 6% in 2017 over 2016 levels. Commercial / Infrastructure construction gradually improving in all areas of the USA. The US economy will continue to grow at a slow rate (2.1 % to 2.4 %). President Trump could be "a shot in the arm" for most of the US Energy Industry (oil, natural gas and coal industries) in the next four years; this is the takeaway from his many campaign speeches.**
CANADA	**1.9**	**1.5**	**7.0**	**Construction (hotels, offices, shopping malls, institutional work and housing) is steadily improving in all Canadian Provinces. Oil & Gas CAPEX work has slowed considerably with current oil prices in the $40 - $45 a barrel range. The weakening of oil / gas and commodities markets around the world has impacted the Canadian construction sector.**
BRAZIL	**1.1**	**4.0**	**11.8**	**Lots of labor & economic problems will continue to impact construction activity. The change in leadership will not put a quick fix of Brazil's economy & construction sector, the recession is expected to continue throughout 2017. GDP is forecast to grow in the discouraging 1.1% to 1.3% range in the 1st half of 2017.**
GREAT BRITAIN	**0.9**	**0.9**	**4.9**	**The economic impact of "Brexit" is still being felt 6 months after the vote and the election of Donald Trump, the Pound Sterling has dropped more than 20% against the US Dollar. Low oil prices have dramatically negatively impacted North Sea CAPEX spending.**
GERMANY	**1.3**	**0.5**	**6.0**	**Germany gets ready for President Trump's future trade policies and the impact these will have on the German economy and construction sector. Germany's Chancellor Angela Merkel is facing continued resistance to her**

				migration policy, however despite this she has recently announced that she will seek a fourth term in 2017.
FRANCE	**1.2**	**0.3**	**10.1**	**The French economy is forecast to grow by 1.1% to 1.3% for the 1st half of 2017 nothing to get excited about. Construction activity remains very slow; however there are signs of activity in the infrastructure and transportation sectors.**
RUSSIA	**1.3**	**6.2**	**5.4**	**The Russian economy is expected to improve in the 1st half of 2017 and of course this will positively impact construction activity. USA & European sanctions have seriously impacted the Russia construction sector in 2016, this situation could improve in 2017 with the new US President.**
JAPAN	**0.9**	**0.5**	**3.2**	**Construction industry continues to see slow but stable growth. Inflation is moving slightly upwards going into 2017.**
CHINA	**6.3**	**2.1**	**4.8**	**US economic policy on trade may generate some challenges for the Chinese economy and its construction sector, in view of President Trump's comments on trade with China during his election speeches. The Chinese economy is showing signs of slowing down; 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, points to possible problems ahead for the Chinese construction market. Construction salaries & wages in some of the coastal cities are increasing in the 5% to 10% range.**
INDIA	**7.5**	**4.2**	**5.1**	**Foreign investment is pouring into India as major US, European and Japanese companies eye India as a major growth country, look for this trend to continue in 2017. Infrastructure accounts for between 50% and 60% of India's construction sector.**

1st Half 2017 Prices at a Glance:

Forecast Cost of a barrel of Crude Oil

$40 - $50

Forecast of Euro / US $ Exchange Rate

1.01 – 1.04

Forecast Copper per pound

$2.65 - $2.95

US Construction Material Inflation (Basket of 10 construction materials)

1.2% – 1.8%

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