



# Global Construction Sector: Stable growth but a diverging credit and valuation path

October 2025



# Executive Summary

Sector Outlook		Sector Challenges with Distinct Regional Dynamics		
		China	Asia Pacific (Ex-China)	Europe / North America
Despite economic uncertainty, <b>market consensus expects an upward trajectory in construction spending and revenue outlook.</b>				
The outlook of the sector is supported by <b>government infrastructure spending bills</b> and opportunities arising from megatrends such as <b>digitalisation and energy transition.</b>				
However, the recent US tariffs and policies may lead to higher material costs and a tighter labour market for skilled workers, potentially impacting construction players with US exposure.				
	Over the past 10 years, <b>Chinese construction players</b> have expanded at a fast pace, leaving strained balance sheet capacity and subdued valuations.			
	<b>Margin compression would have more on impact on China and Europe / North America construction players</b> , with the former already operating at lower margins and the latter more vulnerable to cost inflation .			
	<b>Asia Pacific players have the most resilient balance sheets</b> , but there is still room to improve valuations and seek balance sheet efficiencies.			

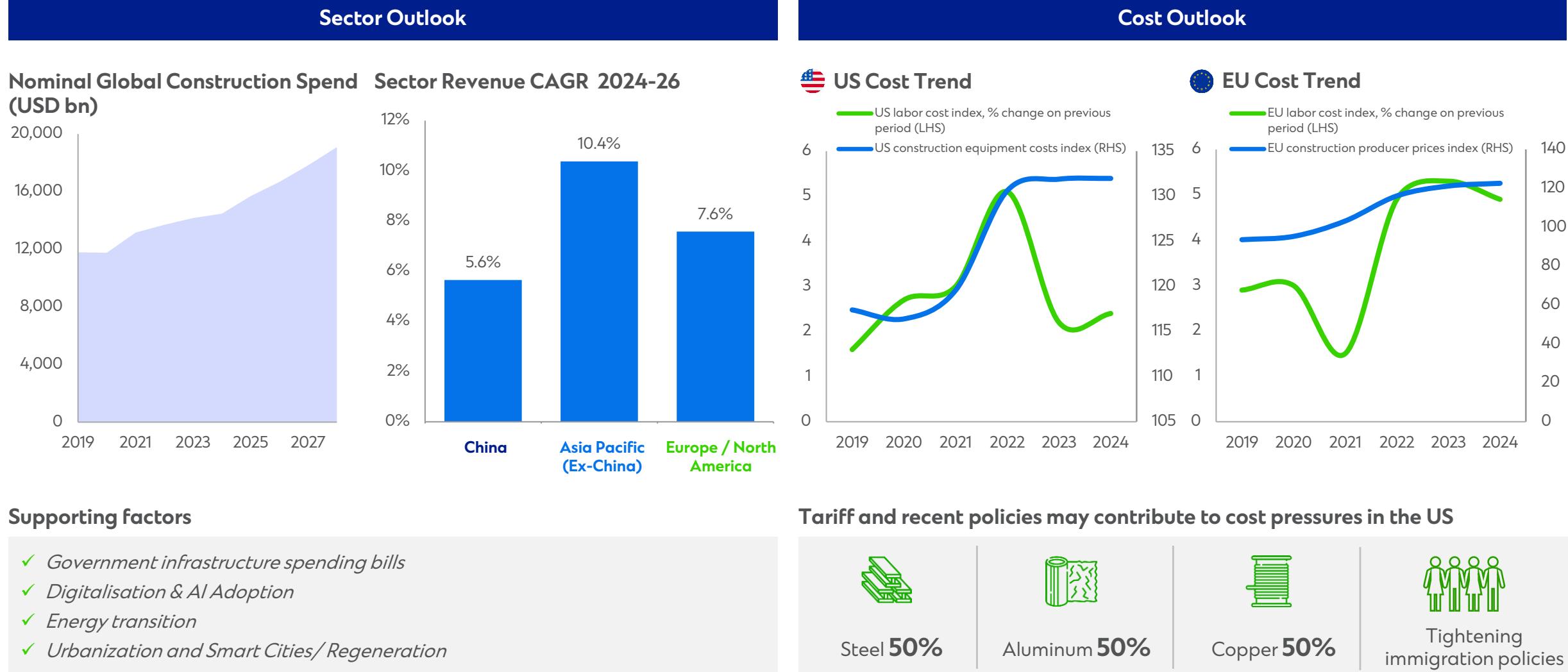
*What Does This Mean?  
Capital Structure Strategies To Adopt*

Hybrid

Working Capital Efficiency

Capital Allocation Pivot

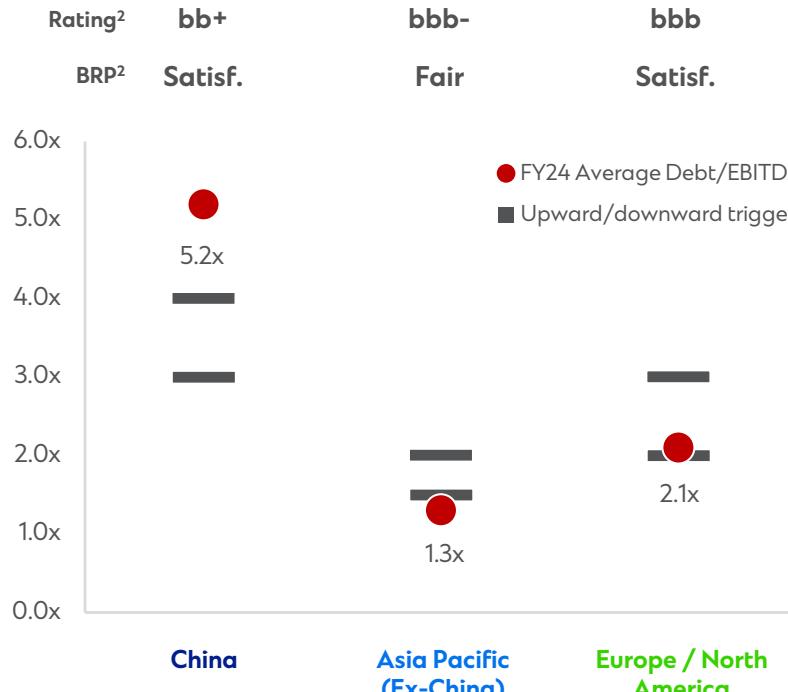
# Market Outlook



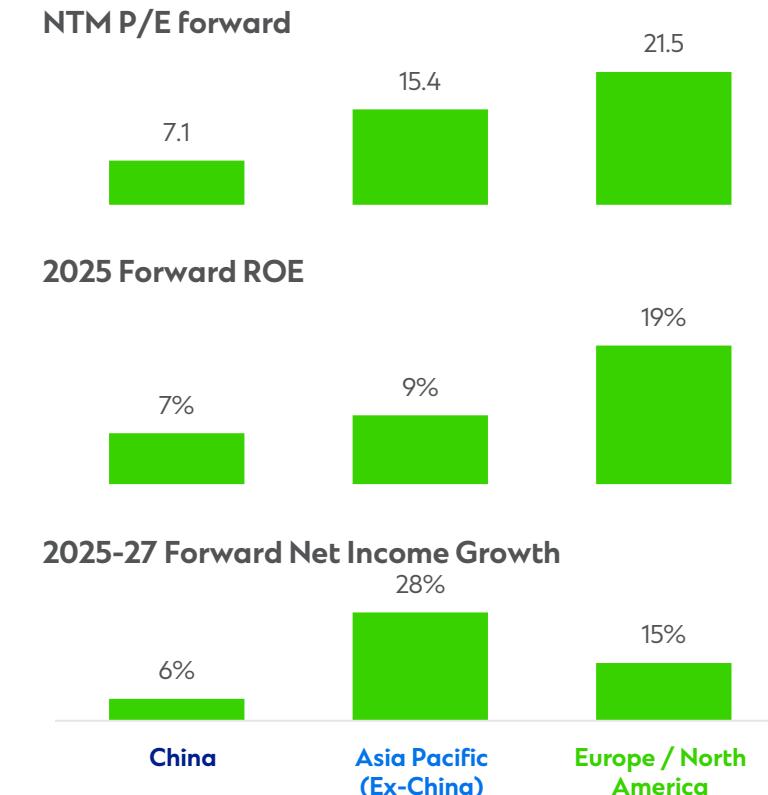
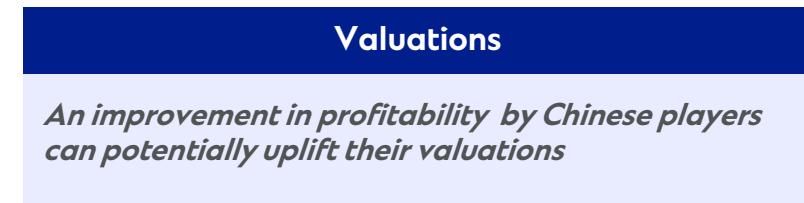
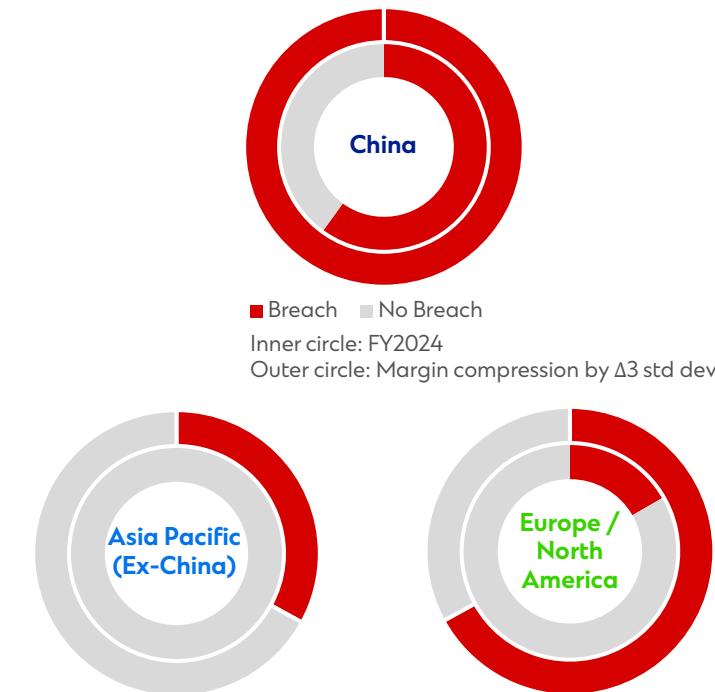
# Sector Challenges



### S&P Ratings and Leverage Headroom



### Percentage of sampled companies in breach of rating triggers with EBITDA margin compression

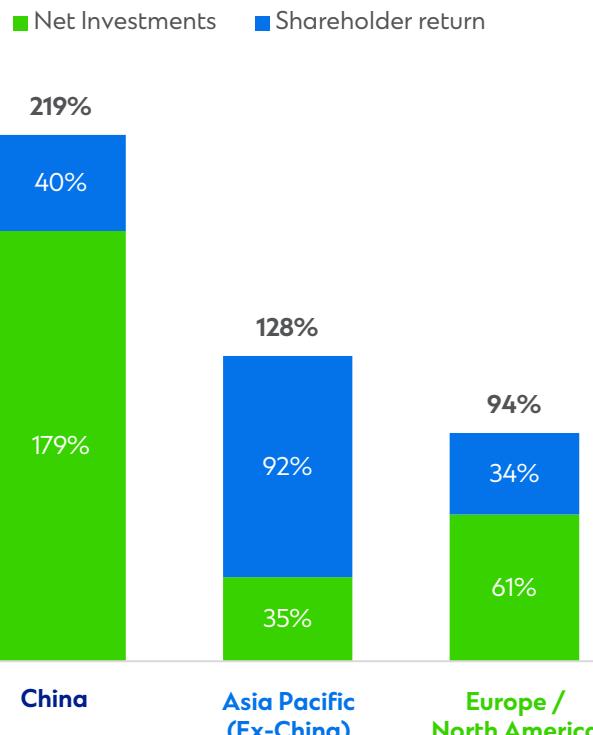


# What Does This Mean?

## Capital Allocation

*Chinese players may need to pivot capital allocation policies to repair balance sheets*

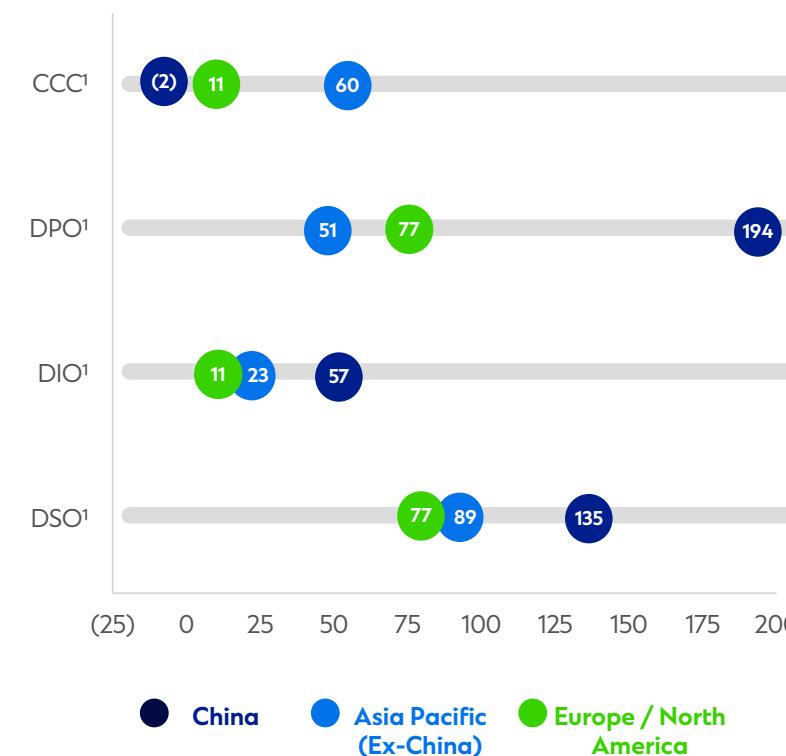
Past 5 years aggregate capital allocation / cash flow from operations



## Working Capital Efficiency

*Working capital optimisation could also potentially relieve rating stress, especially in China where a higher DSO is observed*

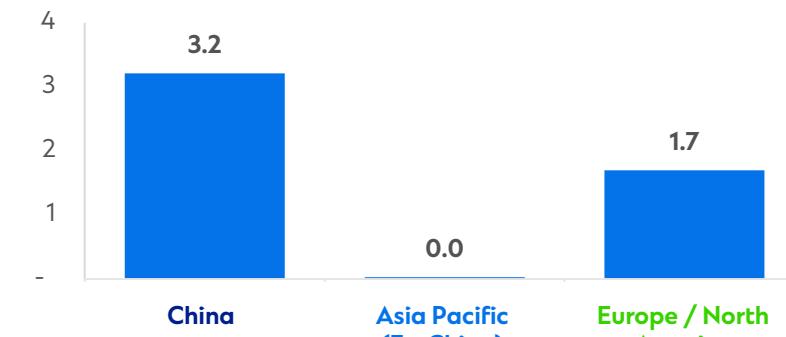
FY2024 Working capital cycle



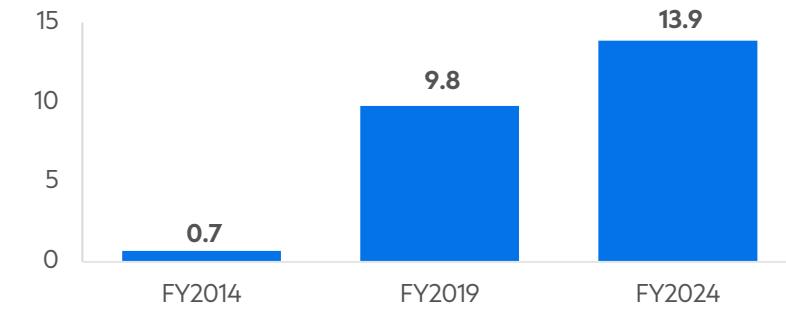
## Hybrid

*The sector requires significant debt reduction to maintain current credit ratings, and hybrids can be a useful instrument to achieve deleveraging*

Debt reduction needed to restore to credit rating threshold (USD bn)



*Chinese players' outstanding volumes of perpetual instruments (USD bn)<sup>2</sup>*



Sources: SCB Analysis, Company Reports, Capital IQ

Notes: (1) DSO = days sales outstanding; DIO = days inventory outstanding; DPO = days payable outstanding; CCC = cash conversion cycle; (2) Mainly senior and subordinated perpetual bonds with accounting equity credit only (nil rating agency equity credit)



# What's Next?

# What's Next?

Standard Chartered can be your **trusted strategic thought partner, offering expertise and guidance as you navigate medium-term capital planning and execution**

## In-depth review to maximize efficiencies



### Working Capital Optimisation

Evaluating **potential working capital efficiencies and the related capital release** via sector best-practice insights



### Optimal Capital Allocation

Defining a fit-for-purpose **capital allocation policy** that meets your long term priorities



### Target Capital Structure

**Identify potential funding gap and the possible funding options** based on bespoke bottom-up analysis



### ESG Rating Optimisation

Assess the importance of **ESG rating on capital structure** and identify **ESG rating improvement levers**

SCB's suite of financing solutions can help navigate the next phase of growth

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Loan Market Solutions

Debt Capital Markets

Risk Management

# Capital Structure & Rating Advisory | Key Contacts

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