

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

October 2025



Executive Summary

Sector Outlook

Despite economic uncertainty, **market consensus expects an upward trajectory in construction spending and revenue outlook.**

The outlook of the sector is supported by **government infrastructure spending bills** and opportunities arising from megatrends such as **digitalisation and energy transition.**

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.

Sector Challenges with Distinct Regional Dynamics

Over the past 10 years, **Chinese construction players** have expanded at a fast pace, leaving **strained balance sheet capacity and subdued valuations.**

Margin compression would have more on impact on China and Europe / North America construction players, with the former already operating at lower margins and the latter more vulnerable to cost inflation .

Asia Pacific players have the most resilient balance sheets, but there is still room to improve valuations and seek balance sheet efficiencies.

	China	Asia Pacific (Ex-China)	Europe/ North America
Revenue Outlook	●	●	●
Margin	●	●	●
Ratings Headroom	●	●	●
Valuation	●	●	●
ESG Rating	●	●	●

What Does This Mean? Capital Structure Strategies To Adopt

Hybrid

Working Capital Efficiency

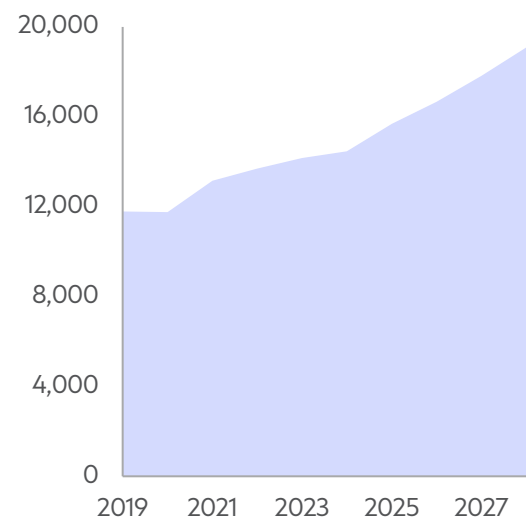
Capital Allocation Pivot



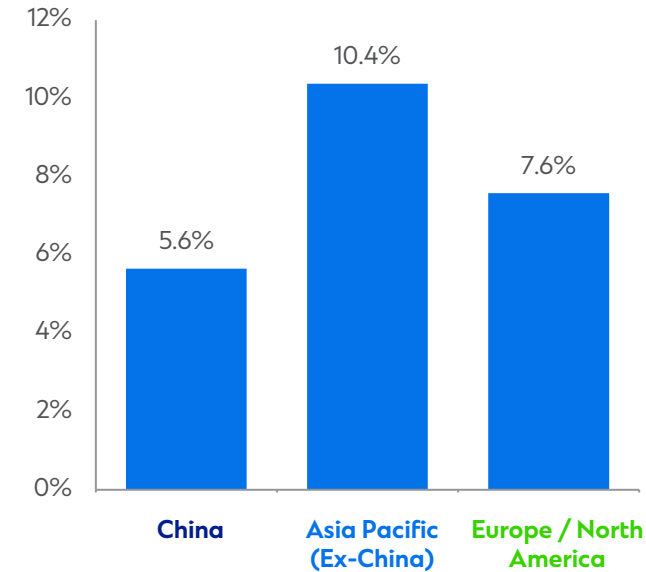
Market Outlook

Sector Outlook

Nominal Global Construction Spend (USD bn)

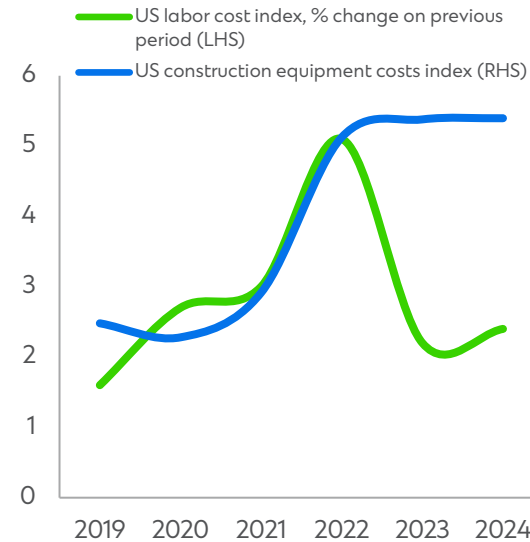


Sector Revenue CAGR 2024-26

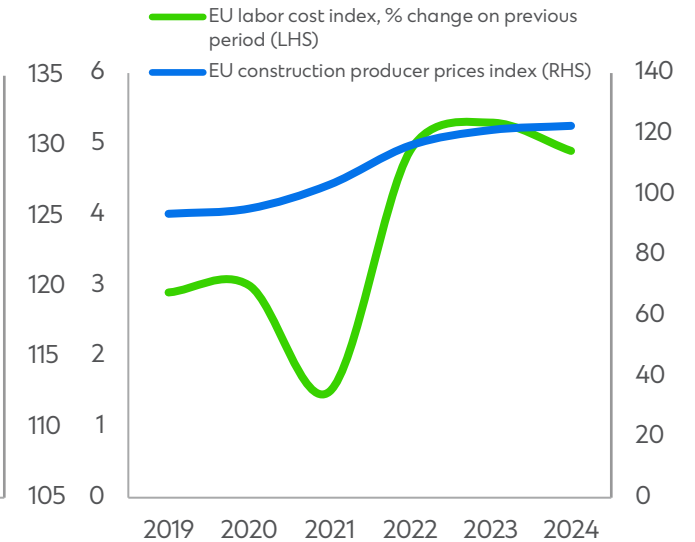


Cost Outlook

US Cost Trend



EU Cost Trend



Supporting factors

- ✓ Government infrastructure spending bills
- ✓ Digitalisation & AI Adoption
- ✓ Energy transition
- ✓ Urbanization and Smart Cities/ Regeneration

Tariff and recent policies may contribute to cost pressures in the US



Steel **50%**



Aluminum **50%**



Copper **50%**



Tightening immigration policies

Sector Challenges

Balance Sheet Headroom

Chinese players have a more constrained balance sheet, but benefit from their strong SOE background

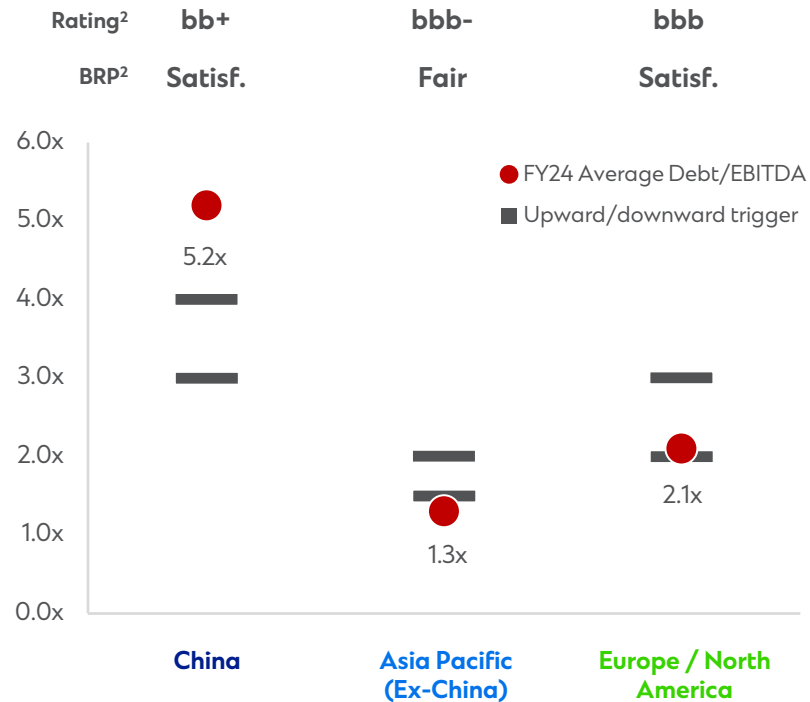
Margin Sensitivity

Asia Pacific players are able to better withstand a margin compression, while other regions may be more impacted

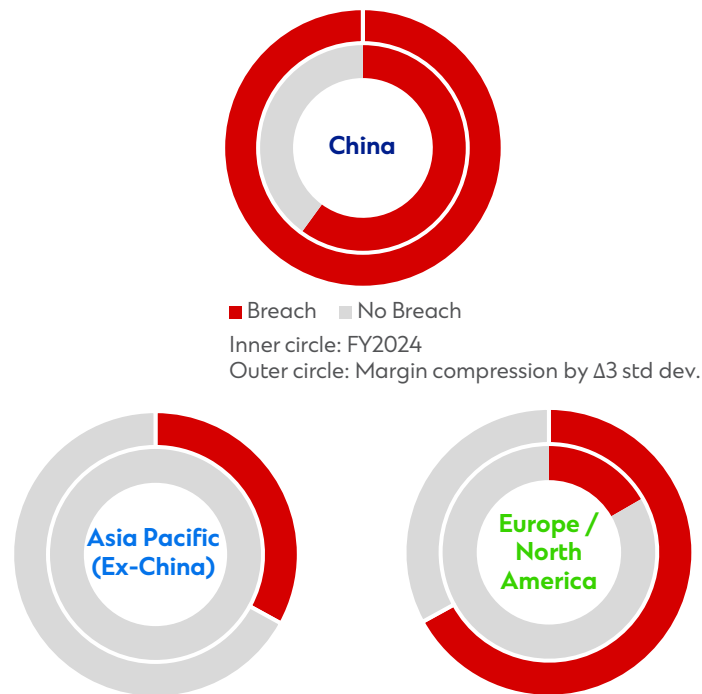
Valuations

An improvement in profitability by Chinese players can potentially uplift their valuations

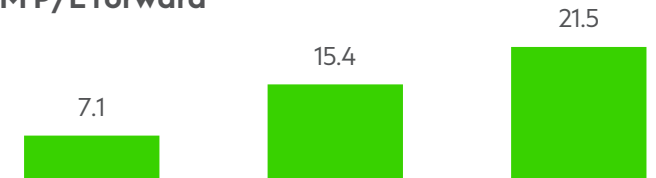
S&P Ratings and Leverage Headroom



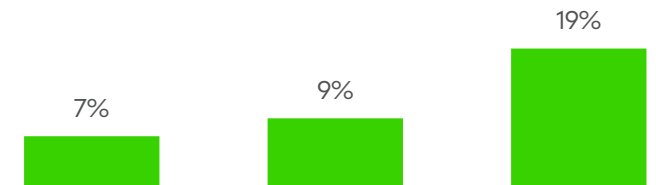
Percentage of sampled companies in breach of rating triggers with EBITDA margin compression



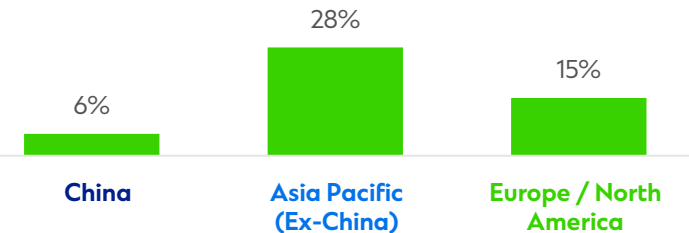
NTM P/E forward



2025 Forward ROE



2025-27 Forward Net Income Growth



Sources: SCB Analysis, Company Reports, Capital IQ

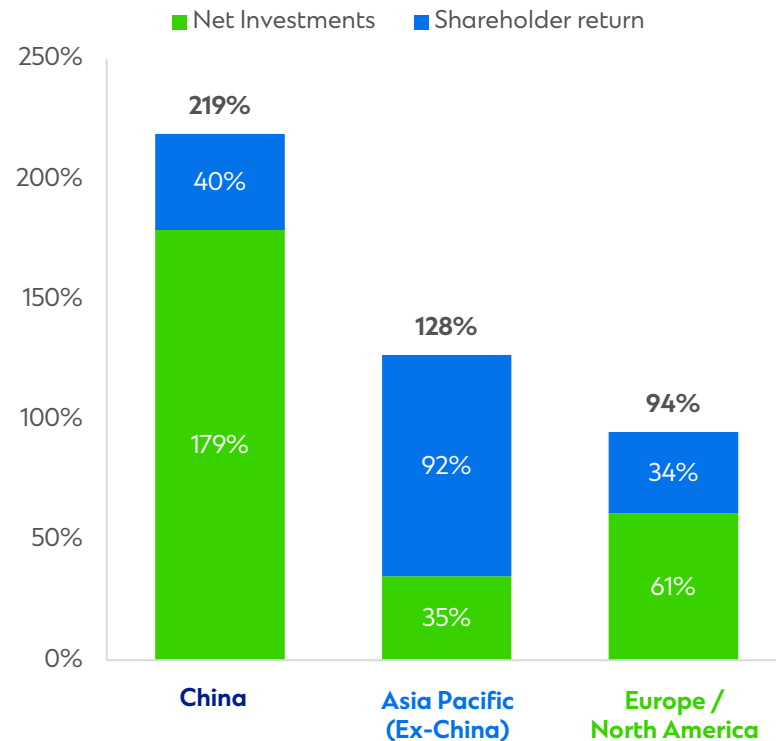
Notes: (1) Headroom based on S&P anchor rating resulting from a combination of Business and Financial risk profiles; (2) Sector average rating and business risk profile.

What Does This Mean?

Capital Allocation

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

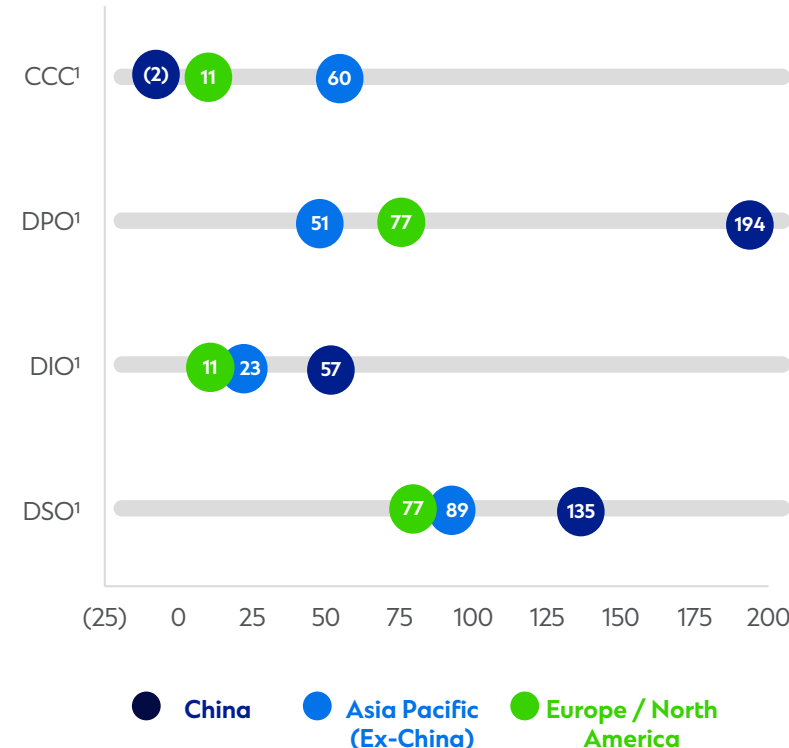
Past 5 years aggregate capital allocation / cash flow from operations



Working Capital Efficiency

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

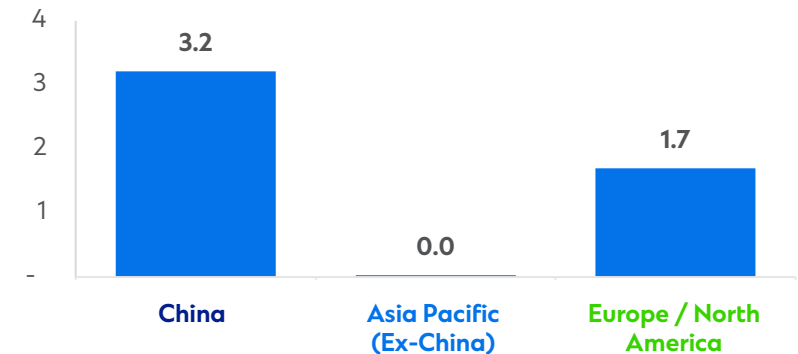
FY2024 Working capital cycle



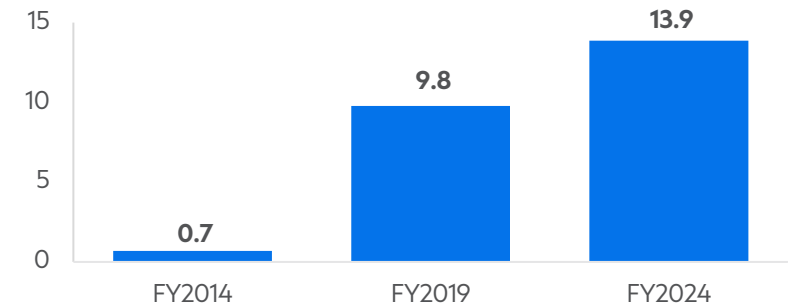
Hybrid

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)²



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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Debt Capital Markets

Risk Management



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