



Economic Briefs

CHINA

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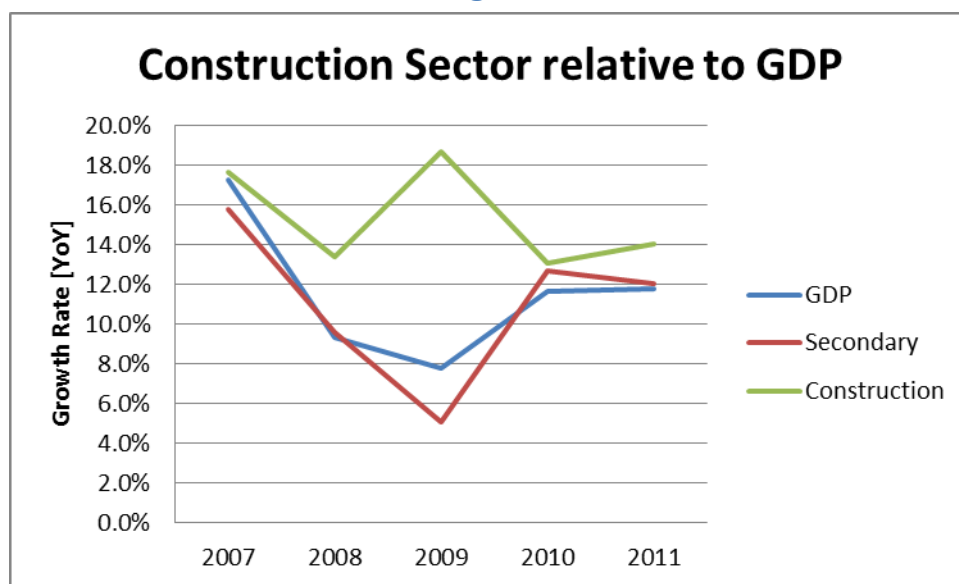


Sectoral Snapshot

Reaching for the Skies: Construction in China

As the world was still reeling from the real estate and financial turmoil, construction activity enjoyed a dramatic expansion in China during 2008 and 2009. While the economy as a whole was moderately affected by the global turmoil, in 2009, this sector reached a growth rate of 19%, more than 11 points above the national GDP growth (fig 1).

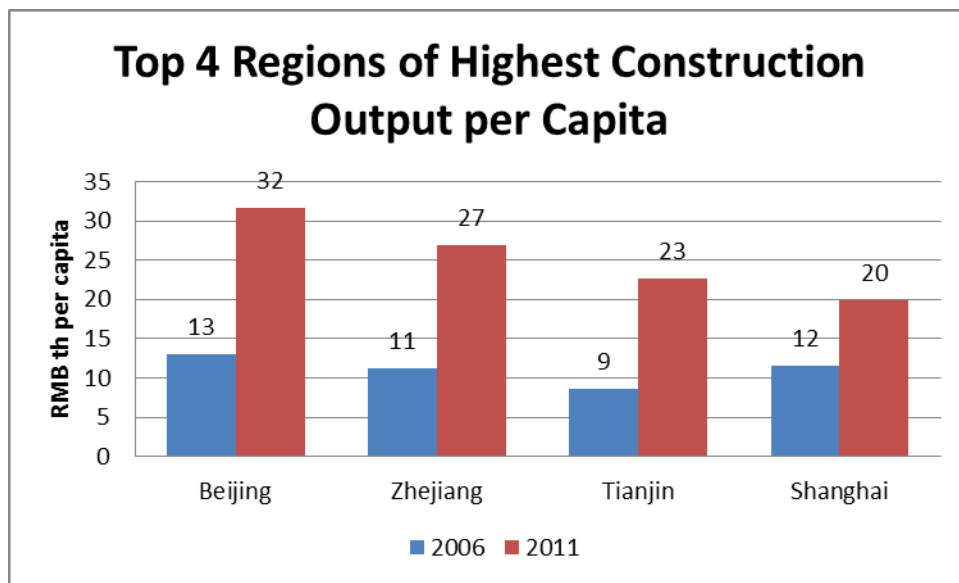
Fig 1



Source: CEIC Data

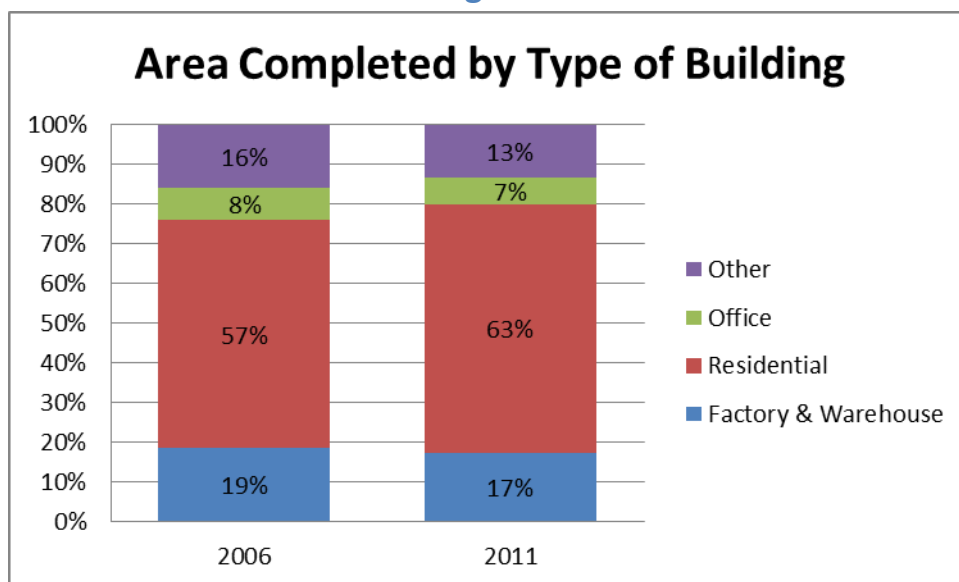
Beijing has been the region with the highest construction output per capita in the country, recording RMB 32 thousand in 2011, a 142% increase from 2006. Zhejiang, Tianjin, and Shanghai are also in the top 4 list by 2011 construction output (fig 2). Although they showed lower construction per capita, Shaanxi, Chongqing, Hainan, and Hubei regions registered the highest percent increases in construction per capita between 2006 and 2011, with 381%, 282%, 267%, and 244%, respectively.

Fig 2



Residential buildings accounted for most of the construction growth in the last five years. 63% of the squared meters completed during 2011 were for residential buildings, a 6-point increase from its 2006 share of 57%.

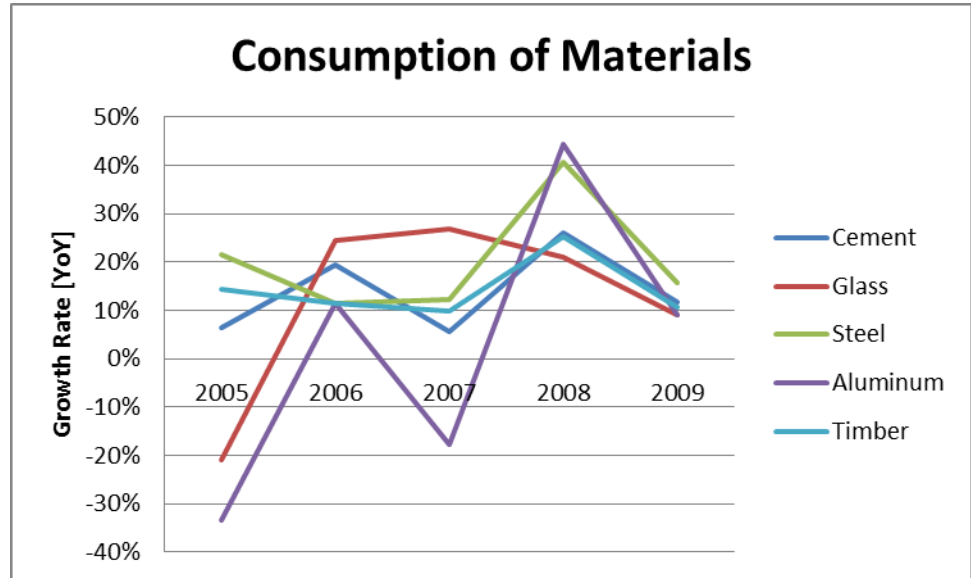
Fig 3



Source: CEIC Data

Turning now to raw materials used in construction, consumption of aluminum has been volatile in the last five years; it suffered an almost 20% decline, in 2009, and reached a 40% increase the following year (fig 4). Timber and cement recorded positive consumption growths every year between 2005 and 2009.

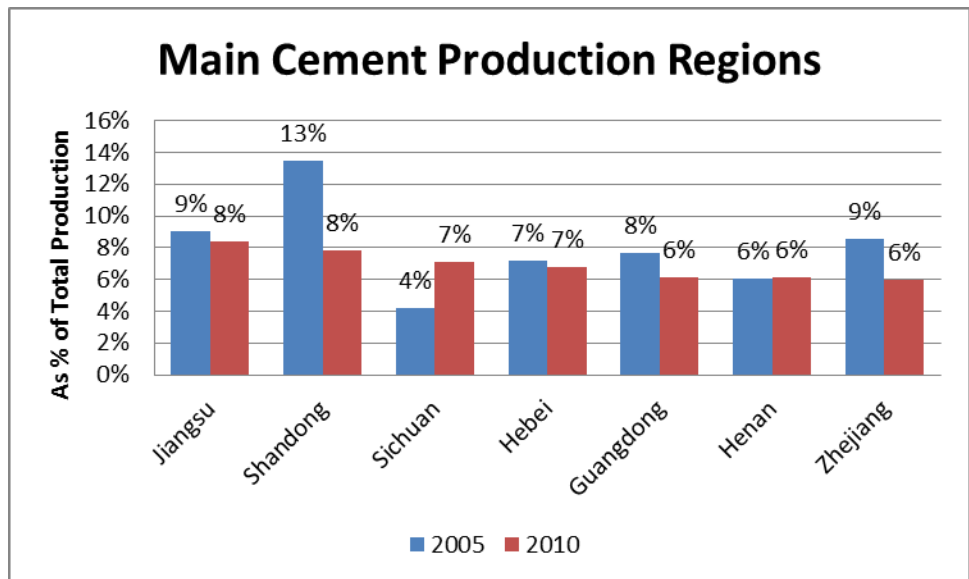
Fig 4



Source: CEIC Data

Jiangsu became the top cement producer in China in 2010, with Shandong gradually losing its share. Sichuan also became a major cement supplier, going from 4% of the national output in 2005 to 7% in 2010 (fig 5).

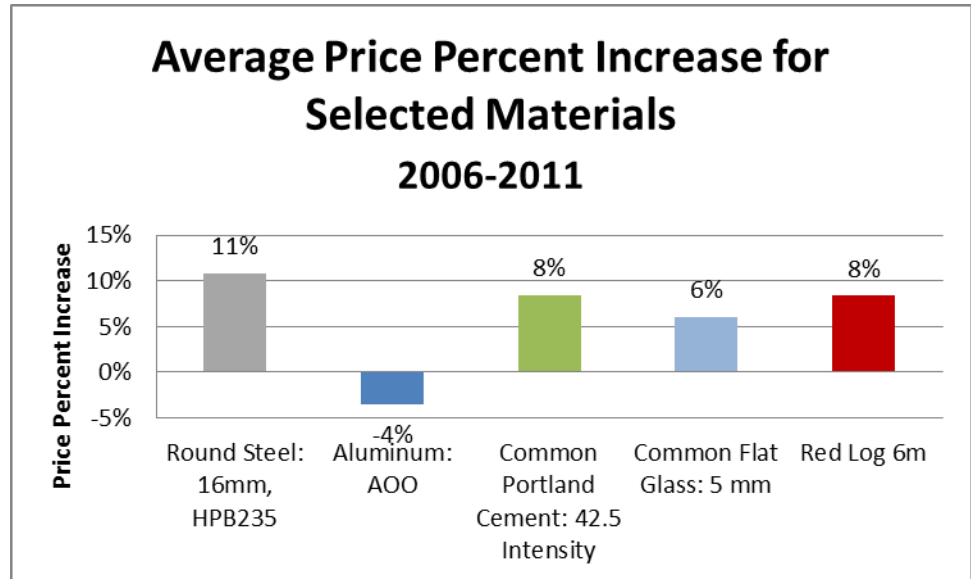
Fig 5



Source: CEIC Data

Aluminum, whose prices decreased in 2007, 2008, and 2009, recorded an average annual price percent change of -4% during 2006-2011 (fig 6). The other selected products registered positive price changes. Round steel prices were very volatile between 2007 and 2009 .

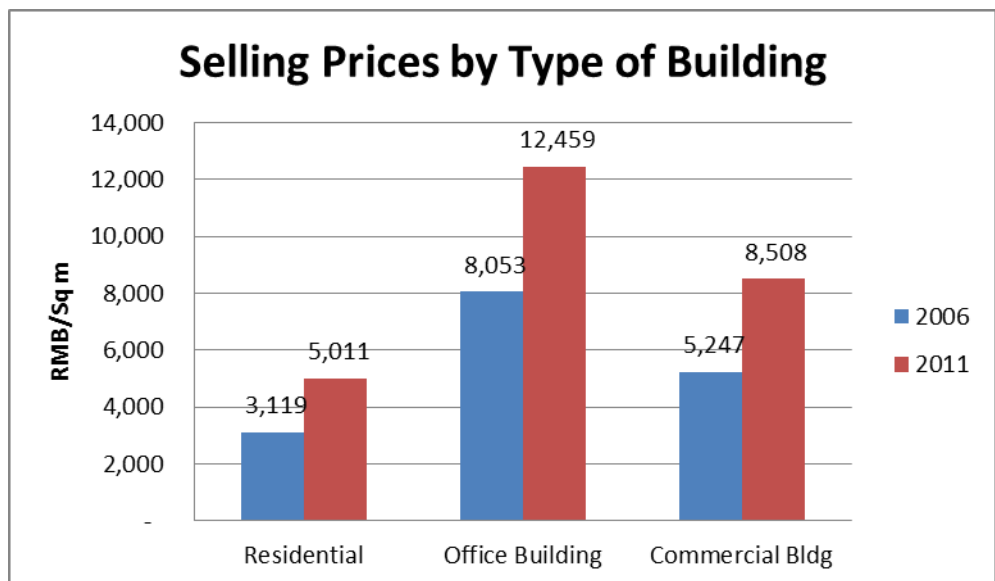
Fig 6



Source: CEIC Data

Residential selling prices recorded an average RMB 5,011/Sq. m for 2011, a 12% average annual increase over the last five years (fig 7). Selling prices for office and commercial buildings increased by annual average rates of 11% and 12%, respectively..

Fig 7



Source: CEIC Data

Real estate in Beijing is the most expensive of the country. In 2011, the average selling price was RMB 16,845 per sq. m. (fig 8). Although Hainan did not make it in the top 4 of most expensive regions, it is likely to in the near future. The small province recorded an impressive annual average price growth rate of 27% over the last five years, reaching fifth in 2011 with RMB 8,900 per sq. m.

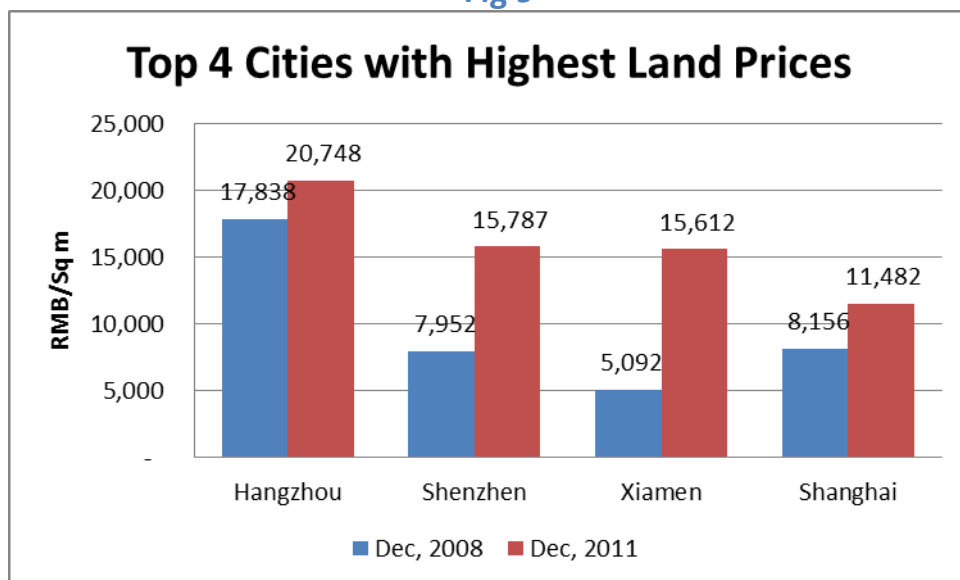
Fig 8



Source: CEIC Data

Hangzhou has been one of the most prosperous cities in China and also the one with the highest land prices. In December 2011, the eastern city recorded the highest average land price in the country with RMB 20,748 per sq. m., a modest 5% average annual increase over the last 3 years (fig 9). Shenzhen and Xiamen ranked second and third in 2011 after experiencing a dramatic annual land price increase of 33% and 69% over the last 3 years, respectively.

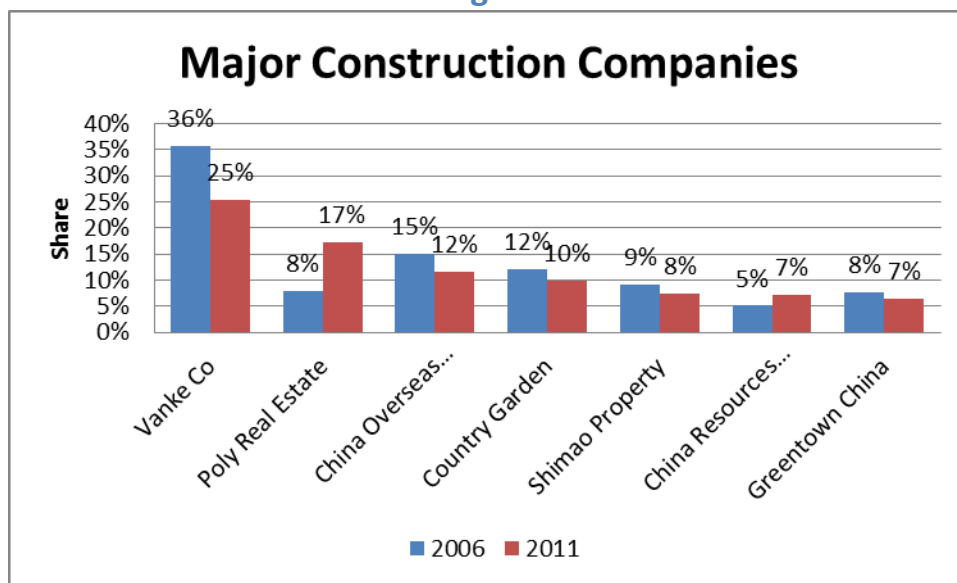
Fig 9



Source: CEIC Data

Vanke is the largest developer in China and in 2011 accounted for 25% of the aggregated revenues of the top 10 developers in the country (fig 10). The company however lost 11% of the market share over the last 5 years. Poly Real Estate, a state-owned company, ranked second after a 9-point increase in market share during the same period.

Fig 10



Source: CEIC Data

With the recent slowdown in economic growth in China, it will be interesting to see how the construction industry is affected in 2012. Maybe all the concerns of a real estate bubble will evaporate except in the big metropolises.