



Press Release

Date	29 June 2010	For immediate release
Subject	Larger overseas construction markets do not necessarily mean better prospects for inbound investment	

Larger overseas construction markets do not necessarily mean better prospects for inbound investment

The best opportunities may not be where you think.

BDO has undertaken extensive research into inbound construction opportunities within the G20 nations.

Based on this research BDO has constructed an overall 'heatmap' of construction opportunity from within the G20 nations and profiled each country in terms of:

- The health of its construction industry
- The nation's financial health
- The ease of doing business with that nation, and;
- The tax regime

In just three years' time, the Chinese construction market will almost certainly have become the second-largest in the world after that of the US. With annual spending expected to reach £393bn in 2013, it is a tempting target for foreign companies keen to capitalise on opportunities in one of the world's most promising growth hot-spots. Yet BDO's G20 Construction Heatmap ranks China only the fourth-most attractive inbound construction market worldwide, trailing those of the US, Britain and Canada because of its greater tax and business operation complexity.

The best opportunities for construction companies will continue to be in developed economies. Comments **BDO Managing Partner, Mr Frankie Chia**: "One important factor contributing to the market growth is the size of the stimulus package assembled by G20 members in response to the global economic crisis; much was directed at shovel-ready infrastructure projects."

The G20 nations are divided in their approach to lifting the world out of recession. Many, however, have announced significant fiscal stimuli, much of which are aimed at the construction sectors of the world's largest economies. A total of £1.28trn (US \$2.03trn) has been announced by G20 governments and agencies as stimulus for the infrastructure and construction-related sectors of the respective G20 economies over the next three years.

The US scores highly in this rankings for market size and fiscal stimulus. China however lags in fourth place. Though China scores well on market prospects, it does not do well on ease-of-business criteria and tax complexity.

Many G20 markets that look attractive on the strength of their growth prospects are similarly handicapped by the complexity of doing business: India, Indonesia, Russia, Argentina and Brazil are seen as cooler investment opportunities because winning contracts and consents in these countries can be a lengthy challenge, particularly for inbound construction firms.

A trend identified which is at play is the global drive for 'greener' buildings that have a lower environmental impact, and require less energy to operate. The design of these buildings requires new kinds of expertise, and site specific original thinking which may be outside the capacity of some national firms for now.

For this reason, national construction companies with proven capability in complex projects or those which require function-specific knowledge may have particular opportunities to leverage expertise developed in vanguard markets into those where modernisation or infrastructure renewal have created demands for similar buildings or structures. International specialisation in particular types of buildings, or building systems, may emerge as a growth strategy that amply offsets the higher costs and complexity of doing business in multiple jurisdictions.

About BDO's G20 Heatmap

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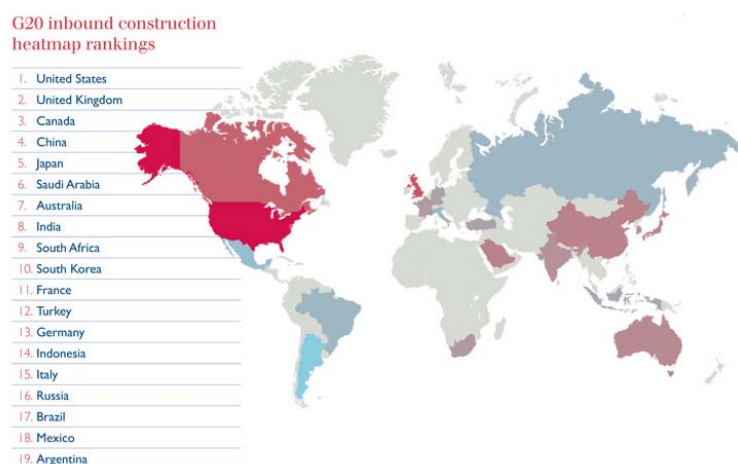
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Diagram 1: Criteria and respective weightage

FACTOR	WEIGHTING (100)	WEIGHTING SPLIT	KPI
Construction Industry health	45	15	Construction Industry value
		15	Construction Industry real growth
		15	Announced spend on construction in the next three years (£bn)
Country financial health	20	5	Budget balance
		5	Overall announced fiscal stimulus
		5	GDP/head
		5	Credit ratings rank
Ease of doing business	20	9	Doing business overall
		2	Dealing with construction permits
		9	Corruption score
Tax regime	15	10	BDO overall tax rank
		5	World bank paying taxes

Based on the criteria, the ranking of construction markets worldwide are as follows: *Diagram 2: BDO Heatmap on inbound construction opportunities*



Notes to editors

BDO is the fifth largest accountancy network in the world and is the brand name for the BDO International network and for each of the BDO Member Firms.

The combined fee income of all the BDO Member Firms is \$5.026 billion in 2009. The global network has 1,138 offices in 115 countries and more than 46,035 partners and staff provide business advisory services throughout the world.

BDO was established in Singapore in 1972 and has been a member firm of BDO International since 1979. The firm offers **audit, tax and advisory** services including corporate finance, business restructuring, tax advisory, management consulting and risk advisory.

BDO Heatmap

For more information, please visit www.bdo.co.uk/G20Heatmap

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