Portuguese Construction Internationalization: Key Figures and Main Markets

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RICARDO PEDROSA GOMES — **AECOPS PRESIDENT**

ECCE - OE CONFERENCE CHANGES IN CIVIL ENGINEERING
FRIDAY, 31 MAY 2013 ORDEM DOS ENGENHEIROS, PORTUGAL

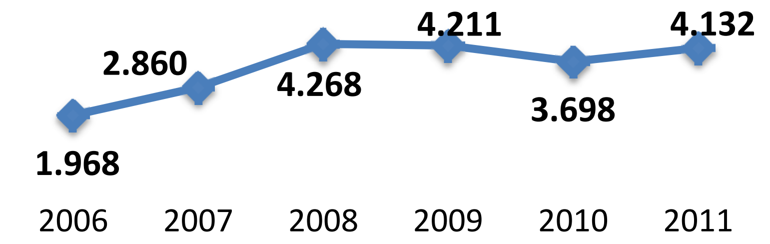
Portuguese Construction Internationalization: Key Figures and Main Markets

2006-2011 Evolution – "Dimension"

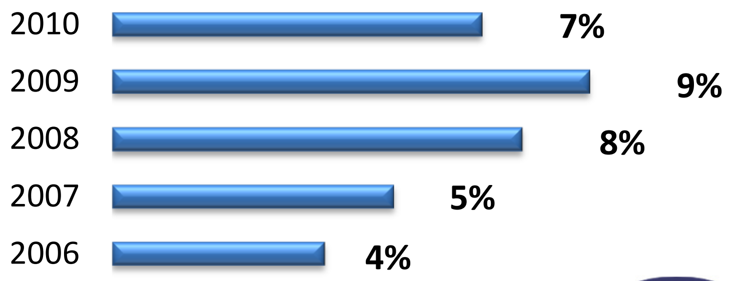
- The turnover from external markets more than doubled in 6 years

- The weigth of external turnover of Construction on the global international turnover of the country reached 9%, which means that the importance of the Sector doubled when compared to 2006

EXTERNAL TURNOVER (M €)



EXTERNAL TURNOVER OF CONSTRUCTION ON THE PORTUGUESE EXTERNAL TURNOVER



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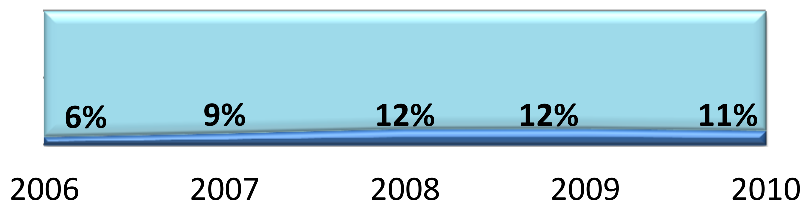
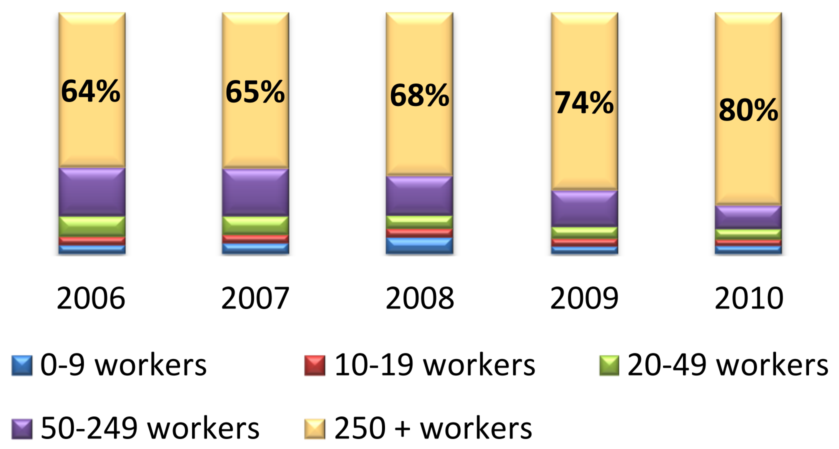
2006-2011 Evolution – "Dimension" (Cont.)

EXTERNAL TURNOVER ON THE GLOBAL CONSTRUCTION TURNOVER



EXTERNAL TURNOVER DISTRIBUITION ACCORDING COMPANIES NUMBER OF EMPLOYEES



- **The weight of external turnover on the global turnover of Construction sector reached 11% in 2010**
- **In companies with more than 250 employees, external turnover represents 33% of their global turnover**
- **Companies whith more than 250 employees are responsable for 80% of the external turnover of the Sector**

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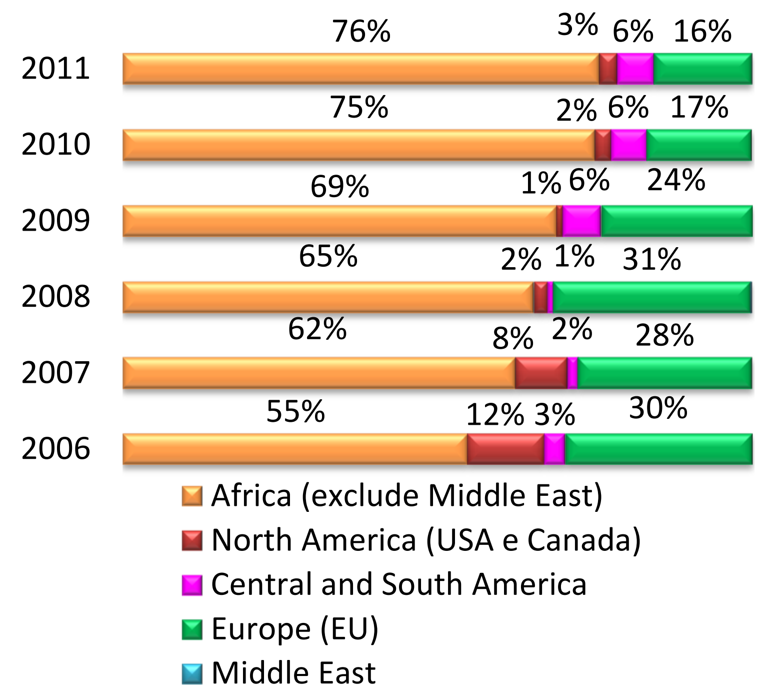
2006-2011 Evolution – Geography

- The turnover obtained in Africa more than tripled from 2006, reaching 3.130 M€ in 2011. Main markets: *Angola, Mozambique, Equatorial Guinea, Cape Verde, Ghana, Algeria and Malawi*

- Rising presence in Central and South America, which represents 6% of internacional turnover: 243 M €

- Significant loss of importance of European Markets, decreasing from 30% to 16% of total external turnover (however, it represents an absolut growth of 28%). Main markets: Spain and Poland.

GEOGRAPHIC DISTRIBUTION OF EXTERNAL TURNOVER



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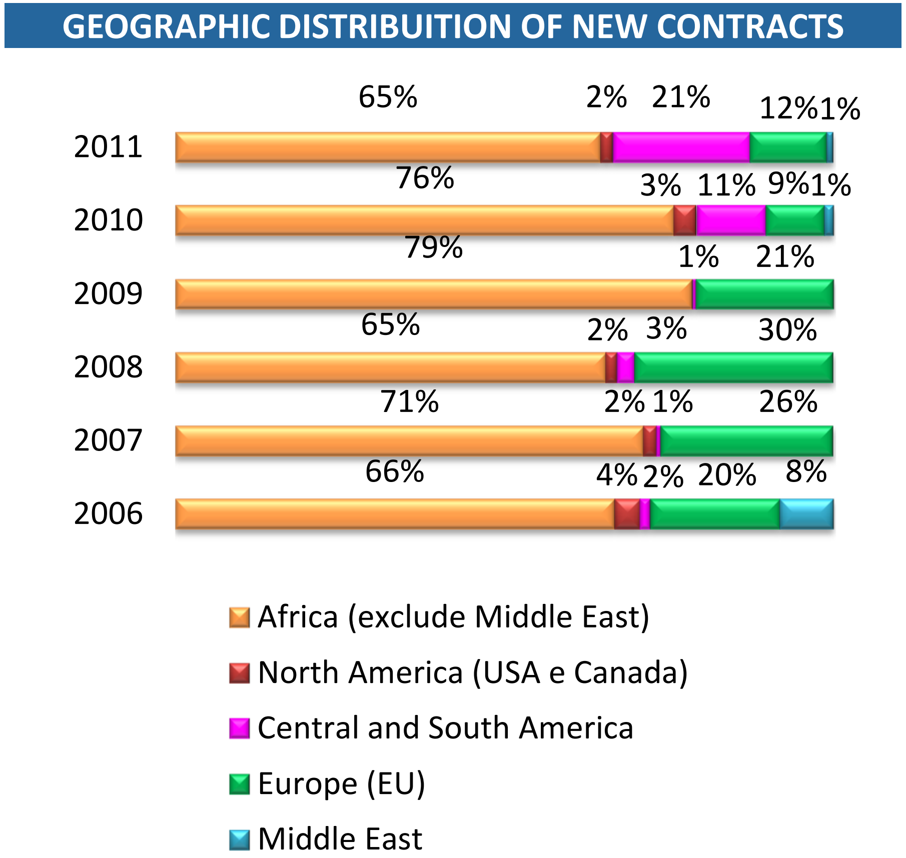
2006-2011 Evolution – Geography (Cont.)



- **Notorious trend of loss of importance of african countries on the global new international contracts (however, the absolut growth of amounts contracted in Africa, between 2006 and 2011, is 111%)**
- **Loss of importance of european markets tends to be accentuated**
- **Strong redirection of external activity for Latin America, where new contracts reached 1.800 M€, 21% of total. *Main markets: Peru and Venezuela***

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Figures 2011 – “Dimension”

COMPANIES	
Companies with external activity	5.200
Companies responsable for, at least, 50% of foreign activity	50

VALUES		
	Million €	Var. 2011/10
External Turnover	4.132	25%
New Contracts awarded in external markets	6.316	47%

- **International contracts represent <u>4% of GDP in</u> 2011**
- **More than 80% of international activity is carried out by the 50 biggest portuguese Construction companies**
- **Tendency towards strengthening of internationalization of Construction stressed by the growth of the amounts awarded in foreign countries in 2011**

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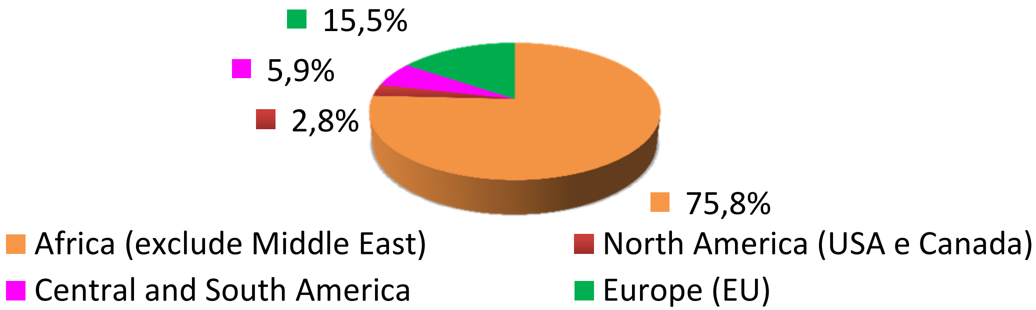
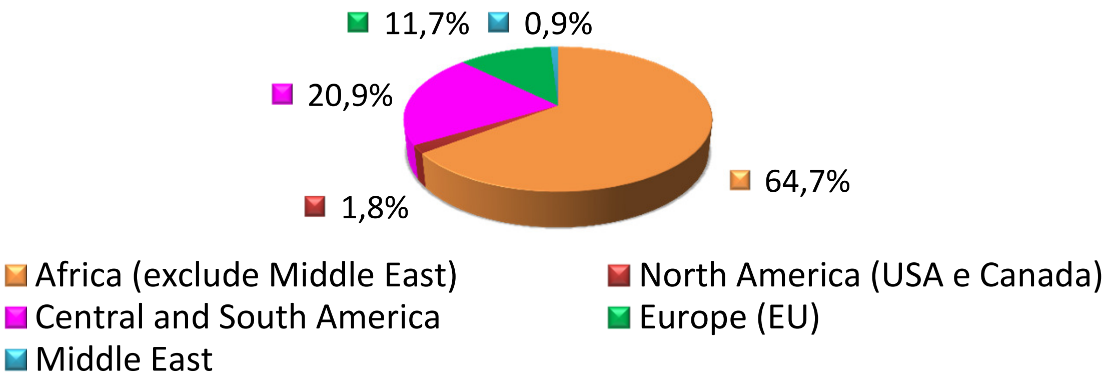
Figures 2011 – Geography

GEOGRAPHIC DISTRIBUTION OF EXTERNAL TURNOVER



GEOGRAPHIC DISTRIBUITION OF NEW CONTRACTS



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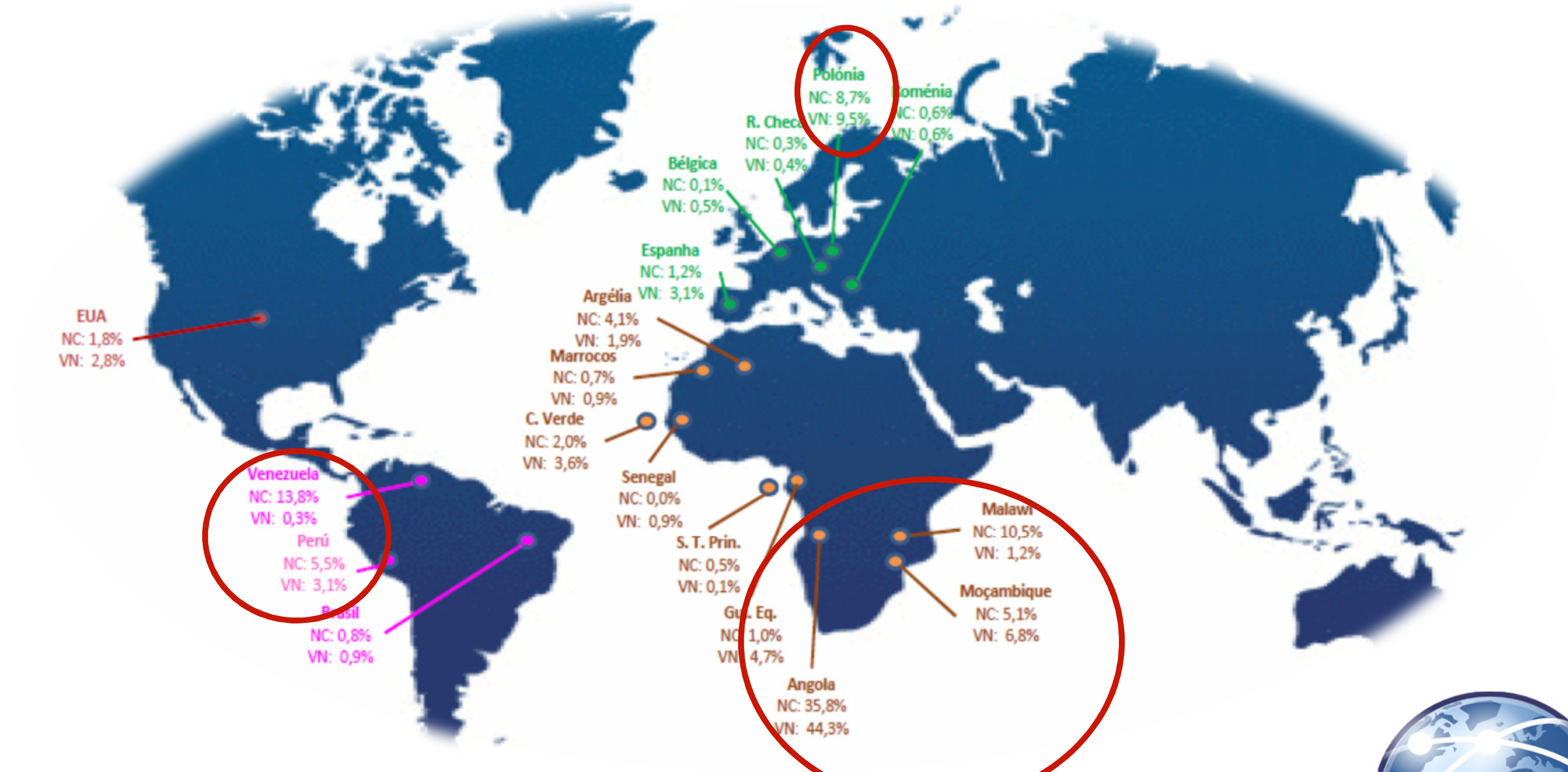
Figures 2011 – Geography (Cont.)

MAIN MARKETS WHERE PORTUGUESE COMPANIES ARE PRESENT



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Key Figures

- 7.000 M€ International Contracts= 4% of Portuguese GDP
- 19% Annual Average Growth of external turnover (last 5 years)
- 7% of total portuguese external turnover
- 10% of portuguese exportations
- > 40 countries
- 76% of external turnover in Africa (44% in Angola)

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Some Remarks...

- Portuguese construction companies have done a remarkable journey of internationalization

- Construction sector plays a determinant role in the dynamism of country internationalization process, not only for what itself represents, but also by the entrainment effect on other sectors of activity

Some Remarks ...

- Success factors : proactive in exploiting opportunities created in other countries; resilience and flexibility of companies; international recognition of portuguese product quality and portuguese engineering competence

- In the internationalization of construction companies, the detection of business opportunities overlaps factors as cultural, linguistic or geographic proximity, when they decide to opperate in new markets

Conditions for a Cluster of Excellence in foreign markets

- **Saving the access and permanence in strategic and most representative markets (Sub-saharian Africa and South America), through the strengthening of the influence in the planning of projects supported by European funds, World Bank and other multilaterals, as well as in the regulatory definition of the funds and also in the revision/negotiation of regulation of reciprocity**

Conditions for a Cluster of Excellence in foreign markets (Cont.)

- Create a platform for internationalization, with the mission of permanently exercising influence over international entities, create conditions for strategic cooperation, identify opportunities, key interlocutors, incentives and financing (new context of public-private partnerships and project bonds) and defend and promote industry's skills and image abroad

Conditions for a Cluster of Excellence in foreign markets (Cont.)

- **Establish/review agreements** aimed at increased transparency of market access rules, the reducing bureaucracy of the requirements for the exercise of the activity, the mitigation of barriers to entry, a better positioning regarding international competition and the fulfillment of obligations by the promoters of the projects

Conditions for a Cluster of Excellence in foreign markets (Cont.)

- Establish/review agreements regarding the facilitation the **relocation of manpower**, through, for example, simplification of issuing entry visas and work permits, and the rules of circulation of persons, as well as the implementation of recognition mechanisms for technical qualifications

Challenges:

- Diversification of markets beyond Africa
- Increasing protectionism in destination markets
- Lack of fiscal and financial incentives

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Thanks!

Ricardo Pedrosa Gomes