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A Summary of South East Asian Infrastructure Spending: Outlook to 2025

Introduction

Infrastructure spending is a key driver of the global economy and was impacted by the global financial crisis. However, we expect spending on capital projects and infrastructure to grow significantly over the next decade.

We have undertaken in-depth analysis of the infrastructure market in 49 countries that account for 90% of global economic output.

This analysis has led to the following conclusions:

- The Asian market, driven by China's growth, is slated to represent nearly 60% of global infrastructure spending by 2025.
- To realise the expected surge in infrastructure spending, emerging markets will need to provide the proper mix of economic, social, and environment factors, sometimes referred to as the enabling environment. Some also will have to create a more conducive business environment for investors as well as engineering and construction firms by overcoming obstacles such as unpredictable regulations, bureaucratic delays, and struggles to secure land rights.
- Growing urbanisation in emerging markets such as Philippines and Indonesia should boost spending for vital infrastructure sectors such as water, power, and transportation.
- Increasing prosperity in emerging markets is expected to drive infrastructure financing toward consumer sectors, including transportation and manufacturing sectors that provide and distribute raw materials for consumer goods.

This publication provides a preview snapshot of our analysis in selected South East Asian economies in advance of our full report on the global infrastructure market. To read more about our global report, *Capital Project and Infrastructure Spending: Outlook to 2025*, visit our global website, *www.pwc.com/gx/en/capital-projects-infrastructure*, following its launch on 16 June 2014.

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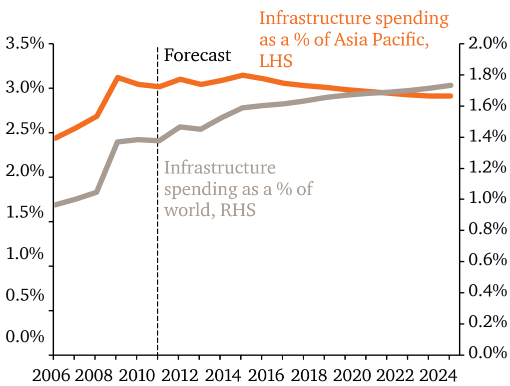
Indonesia

Delivering and enabling investment in infrastructure will be a key agenda item for Indonesia's new President. Overall, infrastructure spending in the country is expected to grow to around $165 bn by 2025, with growth in public investment spending expected to grow by around 7% per year. This represents a relatively stable proportion of total investment in the Asia-Pacific region but a growing proportion of global spending.

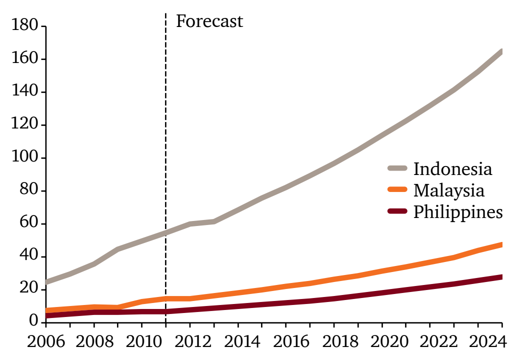
Infrastructure in global context



Source: Oxford Economics

Indonesia versus peers

Total infrastructure spending per year, $bn

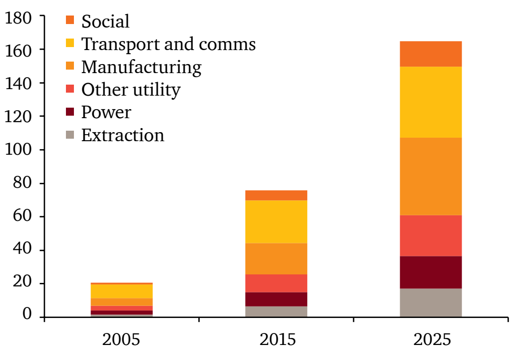


Source: Oxford Economics

Overall growth is expected across all infrastructure sectors in the country. The most significant growth is likely in the heavy manufacturing sector, which is expected to grow from $13 bn in 2012 to $46 bn by 2025, driven by expansion of the mining sector.

Infrastructure spending by broad sector

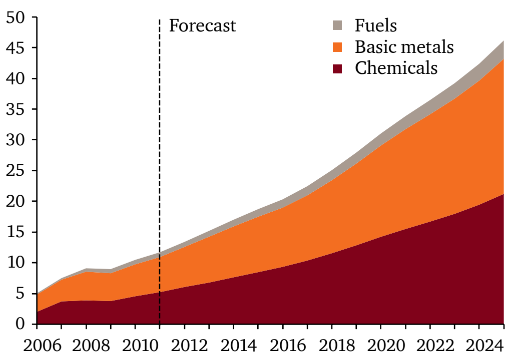
$bn per year, current prices



Source: Oxford Economics

Manufacturing infrastructure investment

$bn per year, current prices

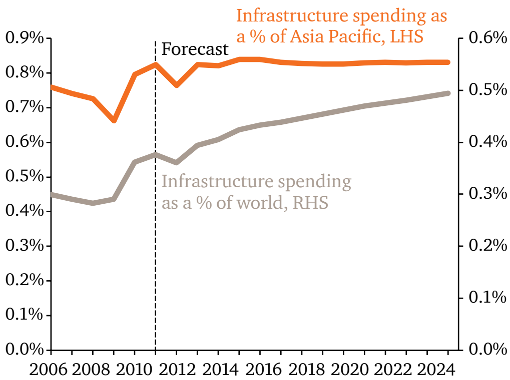


Source: Oxford Economics

Malaysia

Infrastructure investment rose from $6 bn to $16 bn between 2005 and 2013 in Malaysia. Infrastructure spending is expected to grow by around 9% a year between 2013 and 2025 which is consistent with other countries in the region but substantially faster than the global infrastructure market.

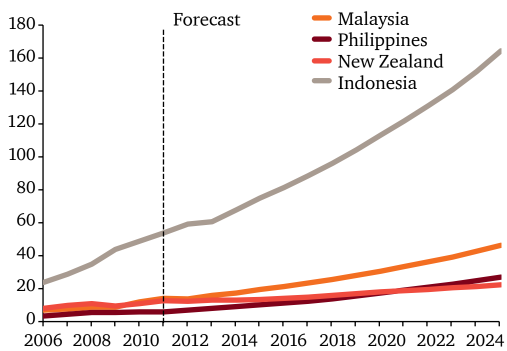
Infrastructure in global context



Source: Oxford Economics

Malaysia versus peers

Total infrastructure spending per year, $bn

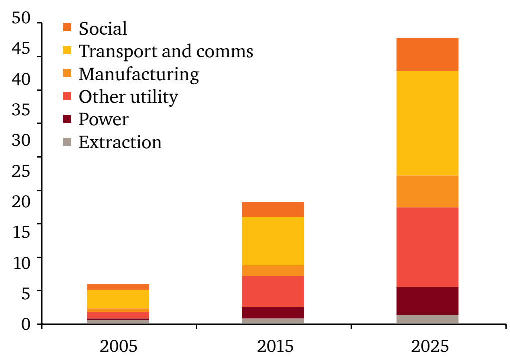


Source: Oxford Economics

Overall growth is likely in infrastructure investment across all sectors. Investment growth in the utilities segment is expected to be the most significant, owing to the comparatively higher need to improve its electricity infrastructure in the region.

Infrastructure spending by broad sector

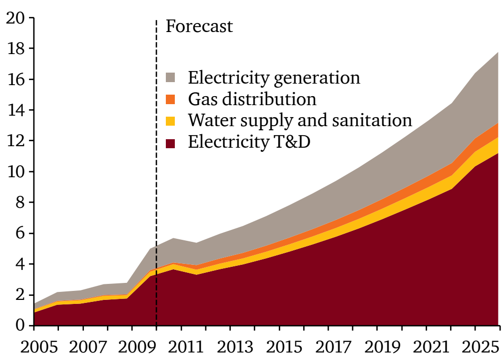
$bn per year, current prices



Source: Oxford Economics

Utility infrastructure investment

$bn per year current prices

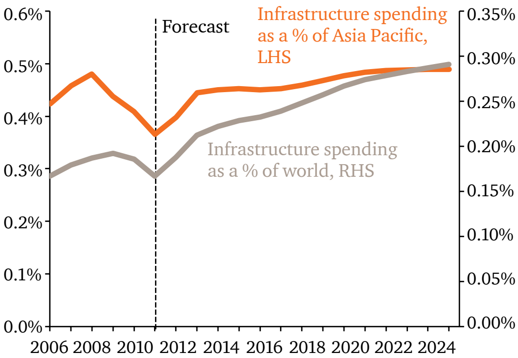


Source: Oxford Economics

Philippines

The Philippines' economy has grown very strongly in recent years and infrastructure spending needs to respond to the growth in the economy to support further growth. Spending in infrastructure is expected to grow at around 10% a year in the next decade, reaching a total of $27 bn a year by 2025.

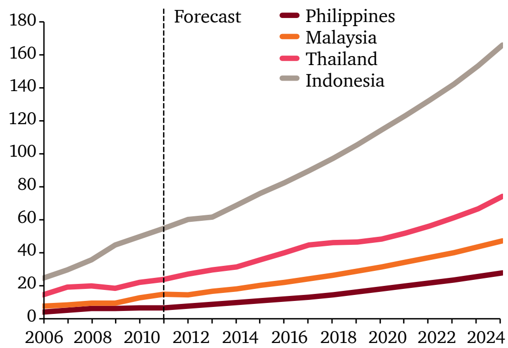
Infrastructure in global context



Source: Oxford Economics

Philippines versus peers

Total infrastructure spending per year, $bn

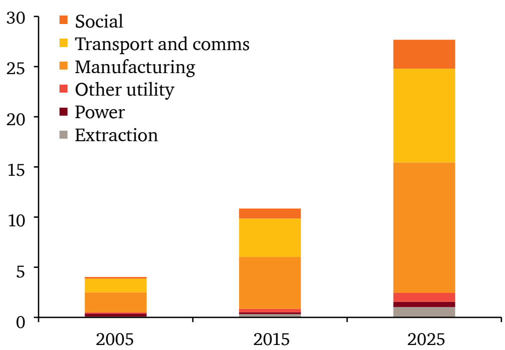


Source: Oxford Economics

Growth is expected to be focused on manufacturing, transportation and communications, and social infrastructure. The expansion in the chemicals and basic metals sectors is likely to lead to significant growth in the manufacturing sector throughout 2025.

Infrastructure spending by broad sector

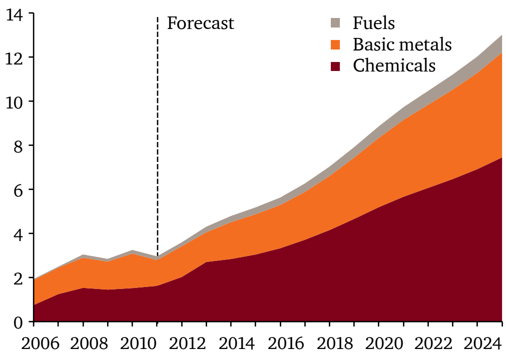
$bn per year, current prices



Source: Oxford Economics

Manufacturing infrastructure investment

$bn per year, current prices

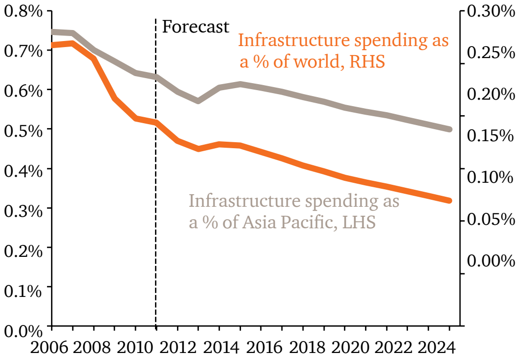


Source: Oxford Economics

Singapore

Singapore has high quality infrastructure which means that its infrastructure needs will be lower than other countries in the region. Hence, its share of regional and global infrastructure spending is likely to fall. Singapore's overall infrastructure spending is expected to approach $18 bn a year by 2025.

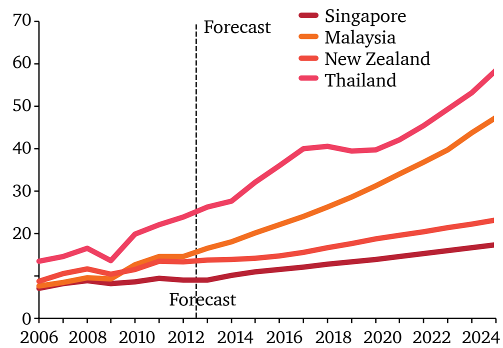
Infrastructure in global context



Source: Oxford Economics

Singapore versus peers

Total infrastructure spending per year, $bn

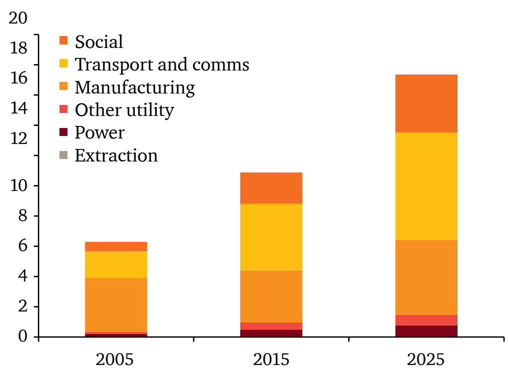


Source: Oxford Economics

Rail projects are a key driver of investment growth in Singapore with a doubling of the metro system by 2030, contributing to an estimated $16 bn to be spent over the coming decades. Manufacturing and social infrastructure are also expected to see growth in investment.

Infrastructure spending by broad sector

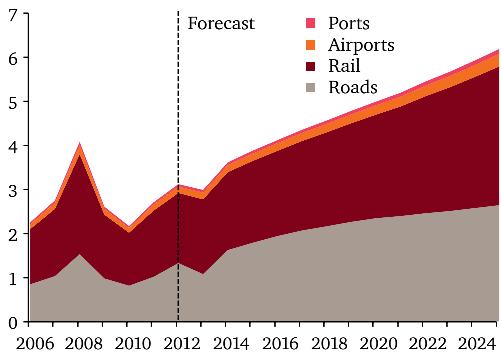
$bn per year, current prices



Source: Oxford Economics

Transportation infrastructure investment

$bn per year, current prices

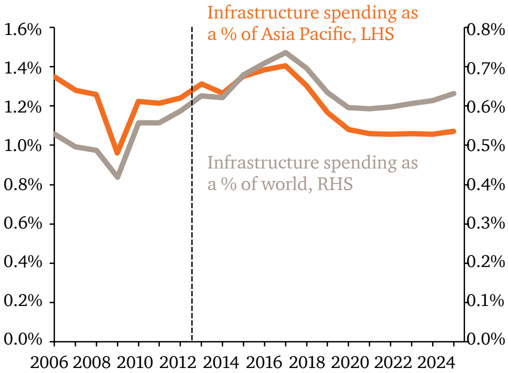


Source: Oxford Economics

Thailand

There is positive outlook for increase in infrastructure investment in Thailand which is expected to reach $58.5 bn by 2025. Thailand's share of total global spending will rise in the near term due to the expected high speed rail project but will be broadly stable over the longer term.

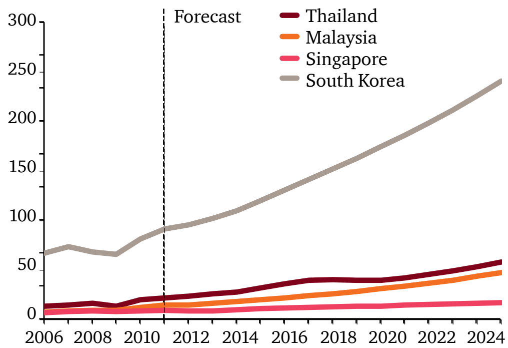
Infrastructure in global context



Source: Oxford Economics

Thailand versus peers

Total infrastructure spending per year, $bn

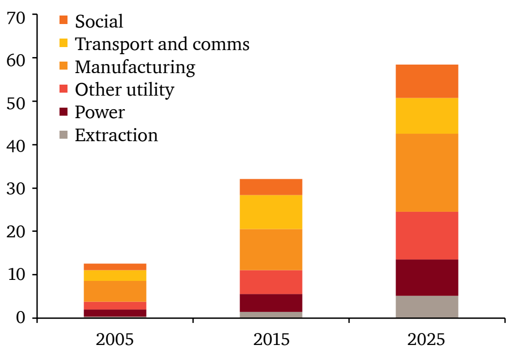


Source: Oxford Economics

Investment is expected to grow across all sectors in Thailand. An ambitious high-speed rail project under construction, which is expected to cost $32 bn over 7 years, shall project significant spending in the transportation sector.

Infrastructure spending by broad sector

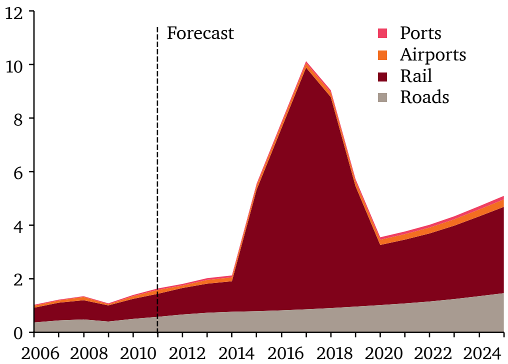
$bn per year, current prices



Source: Oxford Economics

Transportation infrastructure investment

$bn per year, current prices

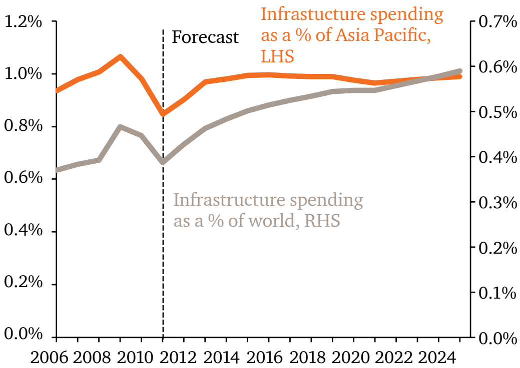


Source: Oxford Economics

Vietnam

Vietnam has strong prospects for economic growth but bears significant infrastructure challenges. Its infrastructure spending is expected to top $56 bn by 2025 with growth rate of around 9% a year which is in line with the regional growth.

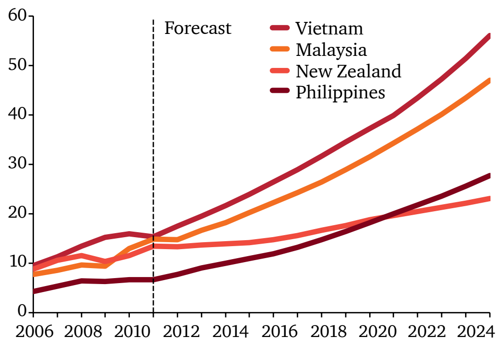
Infrastructure in global context



Source: Oxford Economics

Vietnam versus peers

Total infrastructure spending per year, $bn

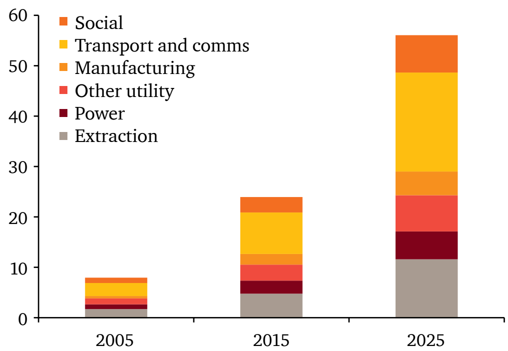


Source: Oxford Economics

Growth is expected across all infrastructure sectors in the economy of Vietnam. Significant investment is expected in the transportation and manufacturing sectors.

Infrastructure spending by broad sector

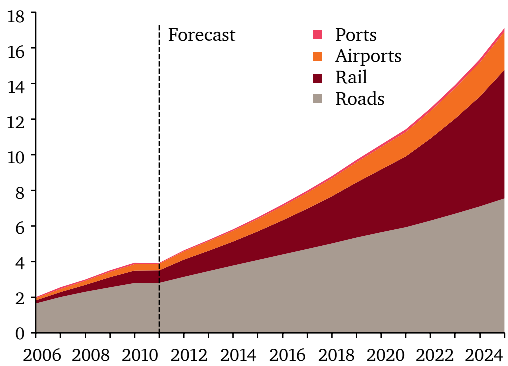
$bn per year, current prices



Source: Oxford Economics

Transportation infrastructure investment

$bn per year, current prices



Source: Oxford Economics

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