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92nd

92nd EUROCONSTRUCT Summary Report Winter 2021



European Construction: Market Trends until 2024

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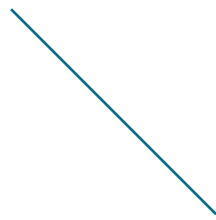
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EUROCONSTRUCT was set up in 1974 by specialised research organisations from Belgium, France, Germany, Italy, the Netherlands and United Kingdom as a study group for construction analysis and forecasting. It has since expanded from the core group to include almost all Western European countries, as well as 4 Central Eastern European countries. At present, EUROCONSTRUCT has member institutes in 19 European countries.

EUROCONSTRUCT's objective is to provide decision makers in the construction sector and other to the construction industry related markets with information, analyses and forecasts to enable them to plan their business better and more effectively. Furthermore, the activities of the EUROCONSTRUCT network addresses to official institutions like ministries or agencies and to national and international associations.

Construction markets are regional or even local. It is, therefore, a great advantage that the analyses and forecasts for these markets are prepared within the EUROCONSTRUCT network by competent national institutes for their respective home markets.

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- Short and medium-term macro-economic forecasts and construction trends in Europe;
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- EUROCONSTRUCT's research and forecasts are designed to meet the needs of many types of business including:
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 - Manufacturers and traders supplying construction materials, products, equipment and machines; architects and other construction professionals;

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 - A special issue selected for its impact on the construction industry (e.g. demographics, privatisation, lifestyles, technological change, internationalisation of strategies, changes in the demand and supply structure).

Recent and forthcoming conference venues:

- Summer 2020 Stockholm (Sweden)
- Winter 2020 Munich (Germany)
- Summer 2021 Vienna (Austria)
- **Winter 2021 Verona (Italy)**
- Summer 2022 Warsaw (Poland)

In addition, EUROCONSTRUCT offers special studies for selected national and international clients based on well-founded knowledge of databases, methods, correlations and measures.

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Macroeconomic outlook

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Macroeconomic outlook

In October, leading construction indicators slightly revised upwards their 2020 growth estimates for most European countries. The Euroconstruct's forecast is revised to 2.2% compared to 2.1% in line to the EC's estimates. In most, only Germany was able to limit the economic damage of the health crisis. The estimated 2.2% for 2021, however, was a far less negative result. Hence, this and Spain had a much higher risk, but the recovery in 2021 was more robust, albeit not enough to bring GDP back to pre-pandemic levels. These countries will end the year with an economic growth of about 1.5%, although probabilities remain for the recovery to be postponed as the end of October suggests that in the absence of more robust production upticks in the services, the final services could be higher, especially in Italy. The EC forecast already brought into this date, showing that the 2020 forecast is 2.2% for 2021.

During 2021, economic activity increased, leading a great spring recovery. The services for the first time since the recession and it is set to continue in the latter part of the year, with real GDP growth leading to pre-pandemic level by the end of the year. However, services the main driver, with its consumption and investment side. A significant boost is coming from the construction sector, which is benefiting from new financing costs, for purchase and investment, the level of public investment, and incentives for education and a strong propensity to invest in households, which are spending part of the savings accumulated in 2020 to improve their homes. Although the expected figure for GDP in 2021 is estimated to be 2.2%, higher European inflation targets hope that the European economy will grow more than expected at the end of the year. This possibility is corroborated by the following summary: first, an increase in higher investment increases

In the third quarter, economic indicators were stable, similar to levels of growth in the health crisis. Investments of global logistics chains continue to drive sales and costs of raw materials and intermediate products, which growth is steady throughout the Christmas period. Purchasing managers' expectations reflect that a weak industrial expansion is likely, although they showed a moderate reacceleration, reflecting improved supply conditions, which is leading manufacturing activity to some degree extent, such as the Chinese automotive industry.

National Accounts components, EC19

year-on-year change in %

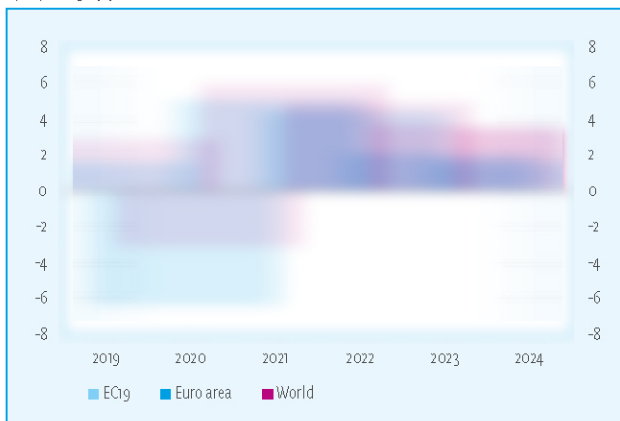
	2020	2021	2022	2023	2024
GDP	-1.1	2.2	2.2	2.2	2.2
Private consumption	-1.1	2.2	2.2	2.2	2.2
Public consumption	-1.1	2.2	2.2	2.2	2.2
Investment	-1.1	2.2	2.2	2.2	2.2
Exports	-1.1	2.2	2.2	2.2	2.2
Imports	-1.1	2.2	2.2	2.2	2.2

Source: EUROCONSTRUCT, November 2021

Investment and consumption needs reflect the employment generation policies pursued in European countries, which have restricted labor forces. Hence, technological progress and increased employment needs. On average in the first half of the year, with the ending of support measures, the number of people in employment fell, which was not expected. The unemployment rate showed different patterns across major countries. The increase of inactive people, in other words from their compensated for the increase in the unemployment, reflecting the total labor force in 2021. This is the case of France and especially Italy. Unemployment was slightly at the end of last year, but then fell in the course of 2021, as economic activity in the services sector picked up. Labor shortages are being observed in many countries due to the accelerated recovery in some sectors, such

Gross domestic product, constant prices

y-o-y change (%)

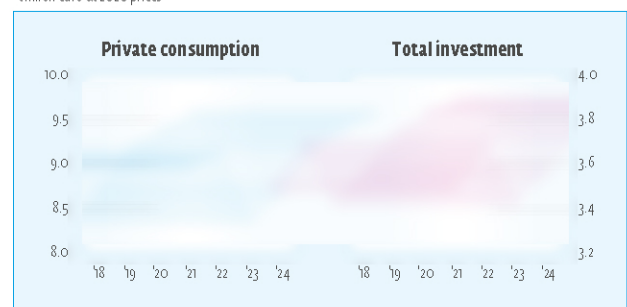


Source: EUROCONSTRUCT, November 2021

* IMF (October 2021) for World and Euro area

Internal demand components (EC-19)

trillion euro at 2020 prices



Source: EUROCONSTRUCT, November 2021



Construction market overview

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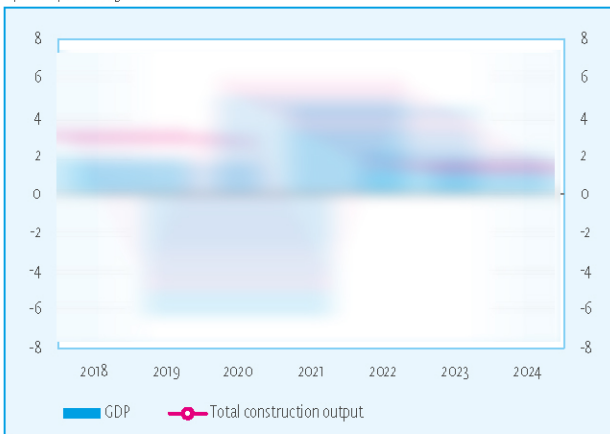
1. A recovery among optimism and uncertainty

While we see signs after the outbreak of the pandemic and the sharp and sudden appearance of the economic recession, a number of trends have emerged which have been confirmed over the months. These trends are a return to normal which may require more support than expected, and the construction sector has played a decisive role. We will not be correct, at least in part, and certainly not in the short-term, if we do not continue to support the construction sector. The long-term picture, however, is a gradual recovery in the sector as a whole and a return to normal.

The construction sector has been the main driver of infrastructure investment in a number of countries. The introduction of government measures to building investment and the growth of the sector has been a source of new financing and has contributed to the growth of the sector. In short, we can expect the sector to continue to grow, but we expect the rate of change to be lower than the growth rate of the overall economy. We expect that a gradual recovery in the construction sector will be observed, which will not be as fast as overall economic growth in other sectors of the global economy. According to our estimates, after a 2.2% drop in 2020, construction output could grow by 2.2% in 2021 and the gap from 2019 will be largely narrowed.

GDP and Total construction output (EC-19)

year to year change in %



Source: EUROCONSTRUCT, November 2021

The recovery is expected to contribute to a rise, when the national output should further increase by 2.2%, or decrease to a much more modest rate in the following two-year period (2.2% on average).

It is clear that the development of the market as a whole is made up of individual national markets that react to the domestic state of affairs and conditions. For example, particularly among the Nordic countries, there have been national markets

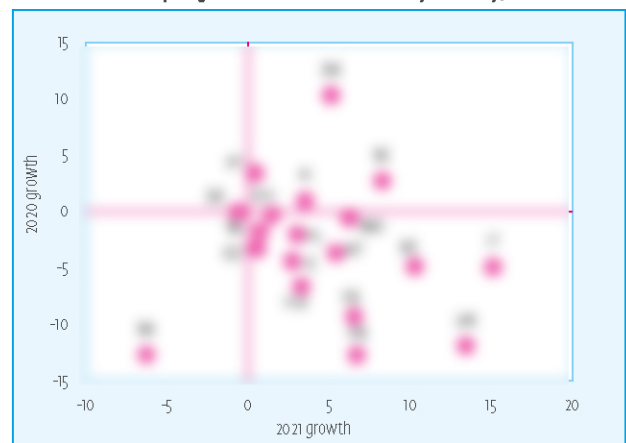
that increased their production level, with Denmark in the first two years of the crisis to date, in order to gain, in statistical terms, the same as Sweden and to a much more modest extent, and which then declined in 2020. In Finland, a situation that has not only applied to national things, but also to things, where construction also showed signs of growth that was not the driving force for construction but for other

The situation is statistically opposed to other countries, where the decline has been less than 2%, a record of more than 2%, among which there are countries like the UK, France and Spain, and others where a moderate recovery has been observed and maintained. In the same time, the recovery has not been showing signs of stability as far as speed, intensity and timing are concerned.

The United Kingdom, Italy and Belgium represent markets where the drop was more, followed by an important gap that was which, while showing large differences in the recovery in Belgium and Italy stands at the end of the year, in the United Kingdom there is a more modest recovery gap.

The pace of rapid growth is not enough to open the doors to a return to pre-crisis levels, which will not be reached when you compare and when the gap is there. However, the recovery has been significant, covering the effects of an ongoing crisis that was, while there is a group of countries (Germany, Netherlands, Austria, Finland) where the level of national output was only marginally impacted by the global health crisis.

Construction output growth in 2020 and 2021 by country, %



Source: EUROCONSTRUCT, November 2021

There are two main elements of uncertainty that may influence the construction of the current forecasting exercise: the pandemic factor (the possibility of new waves and the effectiveness, rather than the progress, of vaccination plans) and the inflation factor.

Residential market



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1. Overview

The construction market and in particular the housing market has been facing new challenges in recent years. In the growing demand, there is a need for new and improved ways to build and manage the construction sector. The construction market is a key driver of economic growth and is a key sector for employment. The market was expected to grow in 2021, with a forecast of 1.5% growth in real terms and 1.5% growth in volume at constant price. The construction market is a key driver of economic growth and is a key sector for employment. The market was expected to grow in 2021, with a forecast of 1.5% growth in real terms and 1.5% growth in volume at constant price.

In order to build the speed of the sector, which was growing at high speed, governments, investors, and the public and building of the government, but in order to grow volume, investors need to be able to invest in the sector. The market was expected to grow in 2021, with a forecast of 1.5% growth in real terms and 1.5% growth in volume at constant price. The construction market is a key driver of economic growth and is a key sector for employment. The market was expected to grow in 2021, with a forecast of 1.5% growth in real terms and 1.5% growth in volume at constant price.

Despite strong government support in most countries, the health crisis has also impacted the construction of houses and in some cases has generated a real estate market through a price

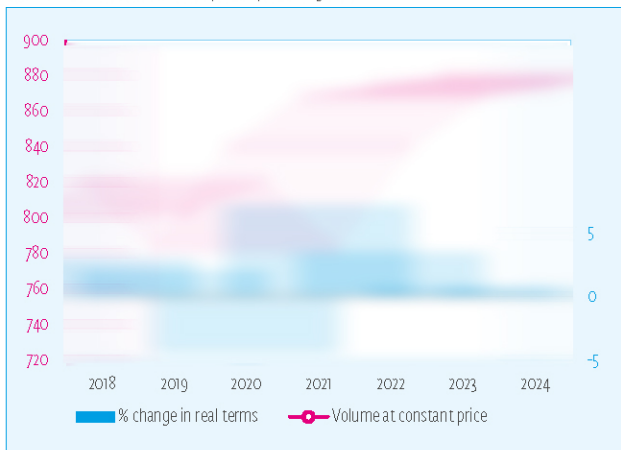
fall in some of the most of high residential and the of using this sector of houses. There have been some initial signs that the market is the subject of a renewed construction, but it has been limited to a few sectors in residential sector, particularly in the residential sector.

In 2021, the real construction market will be a key driver of economic growth and is a key sector for employment. The market was expected to grow in 2021, with a forecast of 1.5% growth in real terms and 1.5% growth in volume at constant price. The construction market is a key driver of economic growth and is a key sector for employment. The market was expected to grow in 2021, with a forecast of 1.5% growth in real terms and 1.5% growth in volume at constant price.

In a high residential, the sector has been the most likely to see a real estate market. The market was expected to grow in 2021, with a forecast of 1.5% growth in real terms and 1.5% growth in volume at constant price. The construction market is a key driver of economic growth and is a key sector for employment. The market was expected to grow in 2021, with a forecast of 1.5% growth in real terms and 1.5% growth in volume at constant price.

Residential construction output (EC-19)

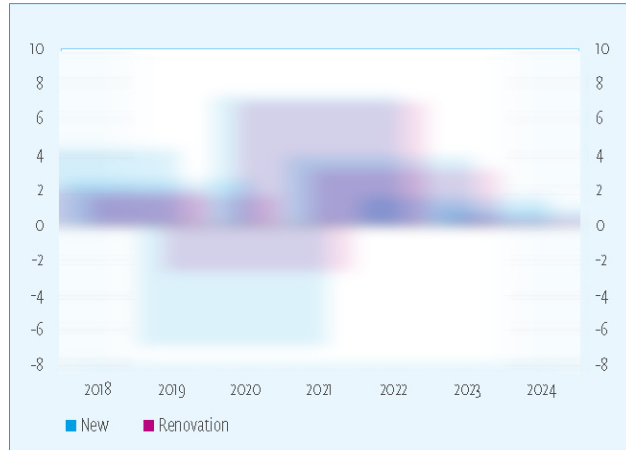
volume in billion 2020 euro and year to year change in %



Source: EUROCONSTRUCT, November 2021

Residential construction by type of work (EC-19)

year to year change in %



Source: EUROCONSTRUCT, November 2021



Non-residential market

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1. Brief overview

In the last few years, the residential construction market has been the most active in the construction sector. The market is expected to continue to grow, which means that the growth will be higher than in non-residential construction in the coming years. It will be clear that the construction market will be driven by a general strong upward trend. The residential construction is growing faster than the non-residential construction.

In general, the market is expected to be driven by a strong upward trend in the construction sector. The residential construction market is expected to be the most active in the construction sector, which means that the growth will be higher than in non-residential construction. The market is expected to be driven by a general strong upward trend. The residential construction is growing faster than the non-residential construction.

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GDP and Total construction output (EC-19)

year to year change in %



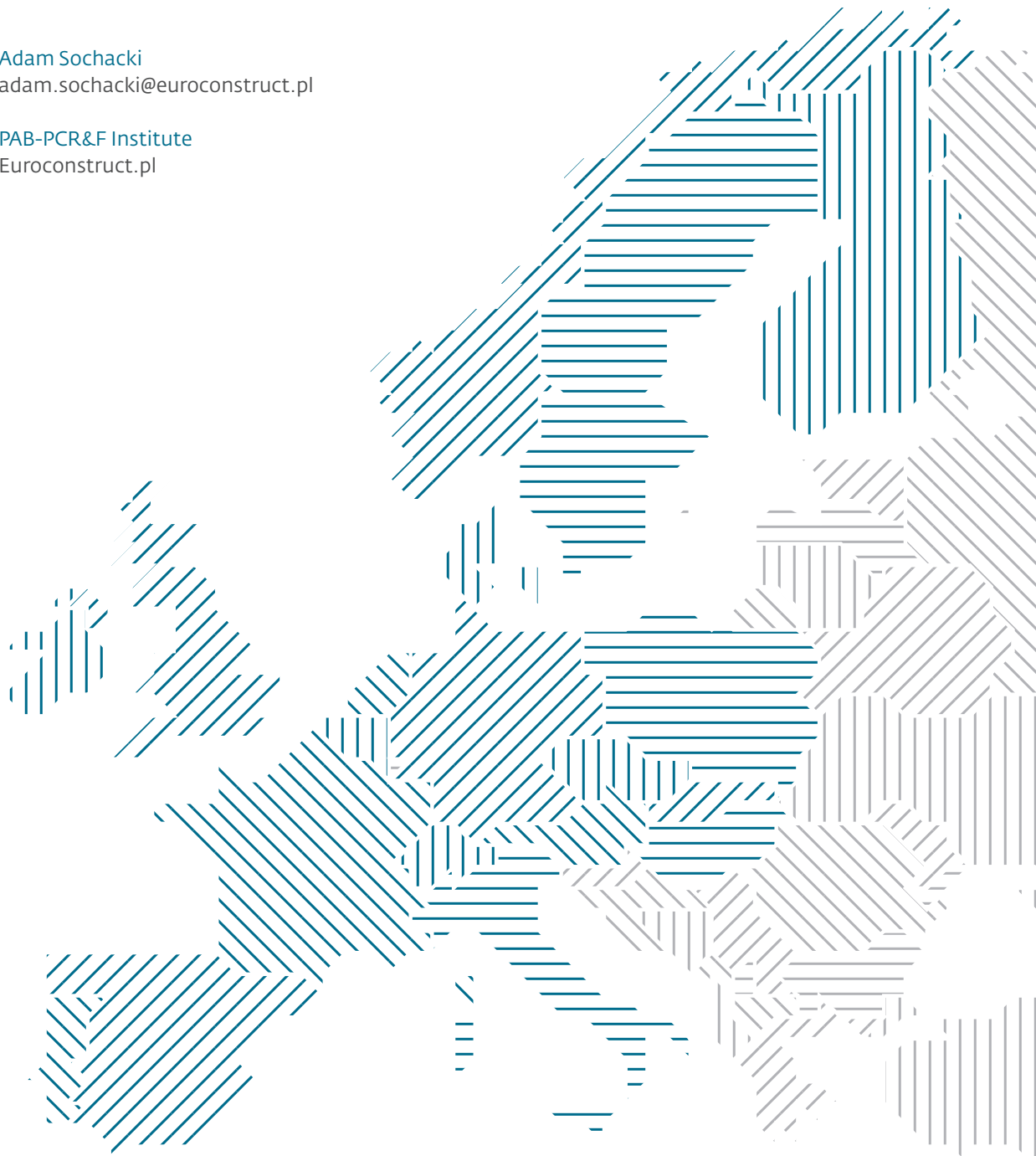
Source: EUROCONSTRUCT, November 2021

Civil engineering market



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1. The civil engineering market

The civil engineering market is expected to continue its growth in 2021, driven by the recovery of the construction sector and the increase in public spending on infrastructure. The market is projected to reach a volume of 400 billion euros by 2024, with a year-to-year change in real terms of 2.5%.

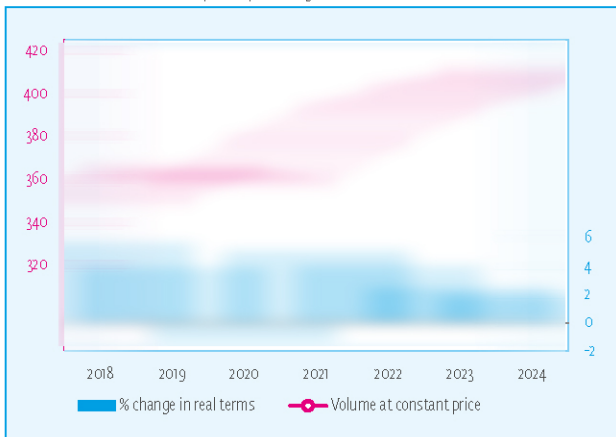
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A similar trend is expected for the rest of the world, with a slight increase in volume and a further increase in real terms. The fact that in 2021 civil engineering will achieve similar results as expected at the conference in Warsaw in 2021, i.e. a 2.5% increase in real terms.

Civil engineering construction output (EC-19)

volume in billion 2020 euro and year to year change in %



Source: EUROCONSTRUCT, November 2021

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Methodological notes and definitions



GENERAL DEFINITIONS

The following notes describe which are the most common definitions of the concepts of the Euroconstruct report among the different countries. These definitions do not apply literally to each of the 19 countries, so readers are encouraged to check the specific methodological notes of each country in order to identify the possible deviations from these standards that may apply to that particular market.

Macroeconomic

- **Population and households:** as of January 1st.
- **Unemployed:** figures based on labour force surveys that also include jobseekers that do not register at the employment offices.
- **Unemployment rate:** as percent of total labour force.
- **Construction prices:** annual change rate of sales prices, not construction costs.

Construction Output

Production is calculated according to branch definition, including not just works done by construction firms, but also works done by all firms that execute construction work regardless of the industry group they belong to. It also includes:

- Services provided by public bodies in the case that fees are involved.
- The builders' own effort, like do-it-yourself works.
- Works done by unregistered firms (black economy) should be included.

VAT or any other sales tax are not included.

Production value of a **building** project, residential and non-residential, includes:

- Project development.
- Planning and engineering works, architects.
- Plot work up.
- Construction work on the building including all intermediate products (building materials, transport cost, energy, use of machinery and equipment etc.)
- Installations work (electrical, plumbing, glazing, paintings and wallpaper, lifts etc.)
- Public fees (for building permits etc.)
- Financial costs, like interest and fees on construction loans (external funding)
- Fees to estate agents
- Transaction costs, if any
- Advertisement costs, if any

Production of **civil engineering** in general follows the same rules, so the value of investments (and maintenance) in civil engineering includes all intermediate products and not only the civil engineering part.

Residential

This category includes:

- Permanent residences
- Second homes or holiday homes owned by households.
- Building objects considered as auxiliary of the main residential object, such as garages, out-houses or other annexes.

The **1+2 family dwellings** category includes:

- Detached or semi-detached houses that contain one or two dwellings (for example, a main dwelling plus one bed-sit, basement flat etc.)
- Farmhouses that contain one or two dwellings.

The **flats** category is for residential buildings that contain three or more dwellings, including the following cases:

- Row houses, linked houses and terraced houses.
- Multi-dwelling buildings of more than one storey, free-standing or linked.
- Residences and service residences for the elderly and other social groups, when the health care aspect is not dominant (otherwise they are categorised as nursing homes and accounted as non-residential)
- Student homes.
- Other residential buildings for communities.
- Dwellings in non-residential buildings.

A **second home** is defined as any dwelling of the residential categories (1+2 families or flats), that is only in use temporarily as a holiday or leisure residence. Second homes also include cottages, huts, shacks, chalets, etc.

When second homes are a market product that is different from permanent homes (design, size...) and that market is big enough to be noticeable, and statistics allow them to be distinguished from permanent homes, they may be excluded from the figures for permits, starts or completed dwellings. However, they still are included in stock figures. Investments in second homes are also included in residential construction.

A residential building is considered **completed** when either a temporary permission to use the building is given by the competent authority, or when a certificate for completion is issued by the competent authority. This certificate should be given when final documentation about the building and a declaration from the builder that the building is completed is available.

Non-residential

This category includes every other building that is not considered residential. The following cases are also treated as non-residential:

- Buildings for temporary residential use that have a commercial purpose, for instance hotels, hostels, motels and holiday homes for rent by businesses/public bodies.
- Homes for the elderly with manned facilities and nursing services.

Non-residential surface is measured as utility floor space, which is the floor area measured within the outer walls.

The category of **buildings for education** includes the facilities (also playgrounds) for:

- Pre-school, kindergartens.
- Primary and secondary education.
- Higher education, including laboratories and research facilities.

The category of **buildings for health** includes:

- Hospitals.
- Clinics, doctor's offices, medical centres, emergency clinics.
- Health and social services centres, health stations.
- Nursing homes.
- Residence and home with nursing and medical care.
- Buildings for rehabilitation, sanatoriums
- Other long-stay hospitals and primary health buildings.

The category of **industrial buildings** includes:

- Factory buildings.
- Workshops.
- Treatment plants, pumping stations, transformer stations that can be considered buildings.

The category of **storage buildings** includes:

- Warehouses.
- Cold storage warehouses.
- Silo buildings and other specialised storage.

The category of **office buildings** includes:

- Buildings for bureaucratic purposes, town halls.
- Banks.
- Post offices.
- Buildings for the media.

The category of **commercial buildings** includes:

- Shopping centres, department stores.
- Detached shops.
- Service stations.
- Other wholesale and retail trade buildings.
- Hotels, hostels, motels, pensions.
- Holiday camps, tourist chalets, apartment lodging buildings, camping huts, holiday bungalows.
- Restaurant buildings and derivatives: food kiosks, cafés, canteens, etc.
- Parking garages.
- Fair and congress buildings.

- Buildings related to transport infrastructures such as railway stations and underground stations, airport terminals, air traffic control towers, telecommunication buildings, etc.

The category of **agricultural buildings** includes:

- Buildings for animals, granaries, fruit and vegetable storage, agricultural silos, buildings for hay/grain drying
- Greenhouses.
- Works buildings used for fishery and hunting, including fish farms, fishery boat-houses and sheds.

The category of **miscellaneous buildings** includes:

- Non-residential space in residential buildings.
- Buildings for entertainment: cinemas, theatres, concert halls, opera houses, discotheques.
- Museums and art galleries.
- Libraries.
- Zoological and botanical gardens.
- Sports halls, ice arenas, indoor swimming pools, fitness centres and Buildings for other sports.
- Community centres, local meeting halls not for bureaucratic uses.
- Buildings for religious use: churches, chapels, houses of worship, parish houses, crematoriums, cemetery chapels, chapels of repose, convents, monasteries.
- Monuments.
- Prison buildings.
- Police stations.
- Fire stations, ambulance stations.
- Building for emergency preparedness: air-raid shelters, bunkers.
- Lighthouse buildings, pilot stations, radar facilities.
- Public toilets.

Renovation with change of use

Sometimes building renovation is related to a change of end use: from residential to non-residential buildings and vice versa. When a non-residential building is transformed to a residential building, the value of this production is included in residential renovation. And vice versa.

Civil Engineering

The category of **transport infrastructure** includes:

- Construction of roads and streets, including bridges and tunnels.
- Railways include also tramways and undergrounds, also with bridges and tunnels.
- "Other" collects airports and airfields, harbours, ports, breakwaters and moles, canals, etc.

The category of **energy** includes infrastructures for:

- Generating energy: power plants and power stations that can not be considered buildings, dams

for hydroelectric power production, wind farms, wave farms.

- Delivering energy: power transmission lines, gas supply lines.

The category of **water works** includes infrastructures for water supply, sewer and waste water transport and treatment; either for drinking water, irrigation, industrial water or river flow maintenance.

The category of **other civil engineering** includes infrastructures for agriculture, forestry and fishery, civil engineering facilities for the industry **that can**

not be considered buildings, outdoor sports and leisure facilities (for example, amusement parks).

Gross Domestic Product

To be comparable to the rest of the figures in Table 5, gross fixed capital formation in construction is measured at market prices, in contrast to the measure used in Tables 2, 4a and 4b that considers output at production prices, that is, without sales taxes (or sales subsidies).

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