

PRESS RELEASE

The 89th Euroconstruct conference,

Stockholm, 12th of June 2020

The European construction industry will be hit hard by the Covid-19 crisis - this according to the new forecasts presented on the 89th EUROCONSTRUCT Conference in Stockholm the 12th of June.

There will be an abrupt downturn in the European construction market this year, but a slow recovery will begin already next year. It is a fact that European construction markets have had a lot of challenges leading up to the Covid-19 crisis with stagnation trends in many countries. Not surprisingly, the ongoing crisis will have a huge negative impact on the markets in all the Euroconstruct countries this year. However, as the national experts of Euroconstruct foresee it right now, we will see positive growth rates already next year and a normalisation in 2022.

Compared to 2019 levels, we will, despite the expected upturn and normalisation in 2022, loose at around € 350 billion euro in total construction output from 2020 to 2022. According to the new Euroconstruct forecast, the number of unemployed persons within the Euroconstruct (EC-19) area will increase by 5 million persons this year compared to 2019.

In 2019, the total construction output in the Euroconstruct (EC-19) area grew by 2.7 percent compared to 2018. New construction (including new residential-, non-residential- and new civil engineering buildings) has been driving the market for several years, and increased by 3.9 percent last year, while renovations have been growing steady around 2 percent. Total construction output reached about € 1,700 billion in 2019, and during the winter report (December 2019) the market was anticipated to decrease its growth rate to around 1 percent annually over the next two years as a result of a weakening economy.

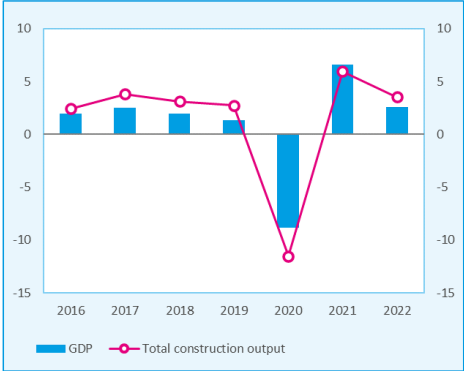
Nevertheless, much in the world have changed dramatically since the introduction of the coronavirus. As of this, the forecast for 2020 has been revised downwards with more than 12 percentage points, indicating a decline of 11.5 percent. This drop in construction is in similar size to the drop caused by the global financial crisis in 2009. The total construction output is expected to reach about € 1,500 billion which is corresponding to the level of 2015, hence, losing several years of growth. All, but a few, countries included in EC-19 are seeing a decline in 2020, where the UK and Ireland are predicting to have the largest drop around 33 and 38 percent, respectively. At the same time, Finland and Switzerland are expecting smaller drops in total construction, approximately by 1-2 percent, whereas Portugal and Poland are expecting continuing growth during the crisis. Hence, indicating that there is a fragmented view among the countries on the impacts of the coronavirus. However, total construction

for EC-19 countries will see a rebound already next year of around 6 percent and then continue to grow by 3 percent in 2022, reaching an output level similar to the one in 2018.

Among the “big five” countries, it is only Germany that will see a small decrease (-2.4 percent) in total construction this year, while the rest (France, Italy, Spain and the UK) are expecting to have a decline between 12-33 percent. Although, all countries are expected to rebound in 2021 and 2022, but the magnitude of the growth will be smaller than the fall in 2020.

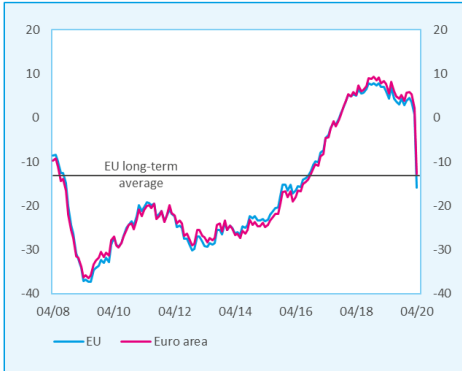
Still, there are downward risks to the forecast and the most significant one involves the coronavirus and the containment of it. Questions such as, will there be further lockdowns after restrictions are being eased or will everyday life start to go back to normal after the summer, are affecting the market view. The uncertainty in the development of the virus and its effects on the economy is very high. The different sectors within construction are all affected by the crisis but some more than others. For the EC-19, the sector that is least affected is civil engineering, which is expected to decrease by 7.2 percent this year and then to recover in 2021 and 2022 with a growth of 7.4 and 3.5 percent, respectively. Both residential and non-residential construction are expected to fall somewhat more than 12 percent in 2020 and then start to improve from next year and the year after, between 3-6 percent annually.

GDP and Total construction output (EC-19)
year to year change in %



Source: EUROCONSTRUCT, June 2020

Construction confidence indicator
balance (%), seasonally adjusted



Source: EUROCONSTRUCT, June 2020, European Commission

Total Construction Output

(% change in real terms)

Country	2016	2017	2018	2019	Forecasts		Outlook
					2020	2021	2022
Austria	0,5	3,3	3,7	2,4	-5,3	3,8	2,1
Belgium	2,5	1,7	2,8	0,5	-7,5	7,7	4,6
Denmark	4,8	2,8	5,3	9,0	-1,9	0,5	2,7
Finland	6,7	1,9	2,6	-2,0	-1,1	-3,8	0,0
France	2,6	3,9	3,3	2,8	-17,7	16,4	3,1
Germany	2,6	2,2	1,9	1,6	-2,4	1,2	0,2
Ireland	10,2	13,6	12,1	5,6	-37,7	17,6	7,6
Italy	0,9	0,5	1,9	2,9	-11,5	8,5	8,8
Netherlands	7,4	3,7	5,9	3,4	-6,9	-9,2	10,1
Norway	3,3	5,8	-1,4	2,2	-4,3	2,2	6,3
Portugal	8,8	11,0	9,3	6,0	2,2	2,3	2,5
Spain	1,6	5,0	6,4	4,4	-15,0	6,0	2,5
Sweden	6,0	7,6	-0,1	-0,1	-4,0	-2,0	2,6
Switzerland	-0,3	1,2	0,8	0,3	-2,0	-0,9	1,8
United Kingdom	4,6	5,8	-0,1	3,1	-33,4	22,8	4,9
Western Europe (EC-15)	3,1	3,5	2,6	2,6	-12,1	6,3	3,6
Czech Republic	-4,3	3,4	7,0	4,0	-7,8	0,5	2,4
Hungary	-18,3	26,9	19,9	14,6	-8,1	-4,1	5,3
Poland	-7,0	9,1	14,2	4,7	1,7	2,2	2,4
Slovak Republic	-11,4	3,8	8,0	-4,7	-8,6	4,5	3,9
Eastern Europe (EC-4)	-8,2	9,5	12,9	5,5	-2,6	1,0	2,9
Euroconstruct Countries (EC-19)	2,4	3,8	3,1	2,7	-11,5	6,0	3,5

Source: Euroconstruct, June 2020

Source: Prognoscentret AB / Euroconstruct, June 2020

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