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Positioning the Industry for the Upturn

*"The construction sector is the barometer of the economy at large. When the economy is booming, so is construction, and vice versa.
The end of the recession does not mean the beginning of the recovery and therefore urgent action is needed"*

MEP Guy Verhofstadt (BE), Chairman of the ALDE (Alliance and Liberal Democrats for Europe) Group, speech to the European Construction Industry Federation, 26th November 2009.

After the worst year for construction in decades, the focus is turning to how the industry emerges in the coming years. 2010 is set to be another difficult year, but overall a mild recovery is expected in 2011 and 2012. Recovery will be variable, however, with some countries remaining in a depressed state, while activity will be appreciably stronger in Central and Eastern Europe than in Western Europe.

Almost 150 delegates from Europe and beyond will attend the 69th Euroconstruct Conference in Dublin Castle, at which expert speakers will present analysis and projections for the industry in the 19 Euroconstruct countries, and look at strategies that can position the industry for the upturn. Areas assessed will include financing, new markets, consolidation and innovation, green construction and technical innovation.

Construction is a vital sector of the European economy. In the Euroconstruct countries in 2009, despite severe recession, it was worth €1,316 billion, or 11% of total GDP, and employed up to 12 million workers.

The current recession will go down as the most challenging in the industry for decades. The global economic and financial crisis hit all sectors of the economy, but none more than construction. The Euroconstruct Area saw construction output fall by 8.8% in 2009, after a

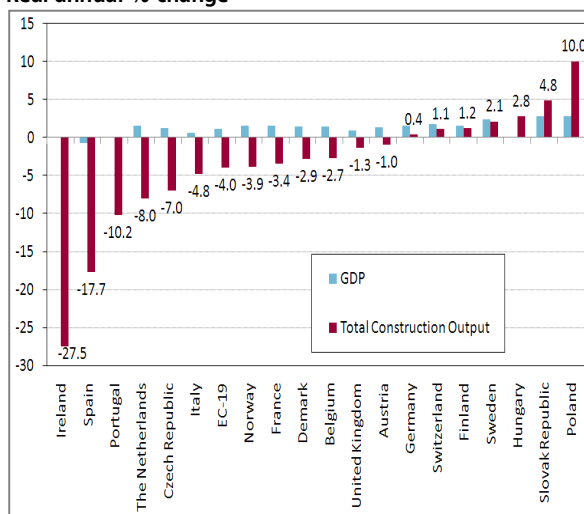
3.1% reduction in 2008. A further contraction of 4% is expected in 2010. By the end of 2010 the European construction industry will have been in recession for three years.

According to Annette Hughes, Director of DKM Economic Consultants, the Irish member of Euroconstruct, "several countries have acted to lessen the impact of recession with fiscal stimulation packages in 2008 and 2009, which supported construction. However the priority now has firmly shifted towards fiscal consolidation, which will have negative consequences for the industry, particularly for civil engineering. In a number of countries, notably Spain, Ireland and Portugal, the global crisis came on top of collapses in local housing markets, leading to particularly severe contractions.

Job losses have been substantial: the sector employed 13.5m workers in 2007, or 7% of the total workforce, but more than one million construction jobs have been lost in Spain and 400,000 in Portugal alone. In total we estimate the sector has lost more than 1.5 million jobs since 2007."

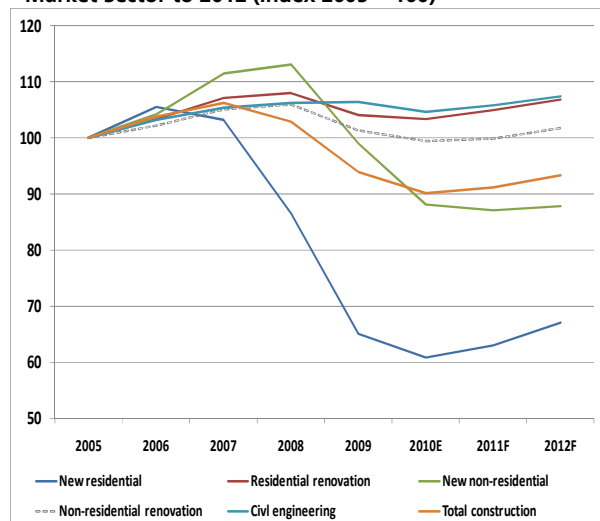
Looking across Europe, there is a clear dichotomy between the Western European countries and the Central & Eastern European members of Eurostat. At one extreme, Ireland, Spain and Portugal are expected to record further deep cuts in construction output in 2010. At the other, Poland has been barely scathed by the global crisis and its industry is expected grow by 10% in 2010.

**GDP and construction output Euroconstruct Area, 2010
Real annual % change**



Source: Euroconstruct (69th Conference)

**Construction Output in the Euroconstruct Area by
Market Sector to 2012 (Index 2005 = 100)**



Source: Euroconstruct (69th Conference)

As a rule, in Western Europe the construction recession has been more severe than the overall economic downturn. The opposite is the case in Central & Eastern Europe, where the construction sector has acted as a stabiliser for the overall economy.

Looking forward, the prospects for Western Europe are for a sluggish but gradual pick up in construction activity in 2011 (+0.6%), gathering pace in 2012 (+1.8%). Ireland, Spain and Portugal will do no more than stabilise at a deeply depressed level however.

Central & Eastern Europe, dominated by Poland and the Czech Republic, is expected to see much stronger growth, of 3.7% in 2010 and almost 10% per annum in 2011 and 2012. The key drivers for this are new non-residential construction and civil engineering, both benefitting from EU Structural Funds.

Growth forecasts by country and at sectoral level are presented below. For further information and more data about European construction markets contacts your local Euroconstruct partner institute (www.euroconstruct.org).

Total Construction Output in the Euroconstruct Area

(% change in real terms)

Country				Estimate	Forecasts		Outlook
	2006	2007	2008	2009	2010	2011	2012
Austria	2.8	2.9	1.8	-6.1	-1.0	0.3	0.5
Belgium	5.2	4.1	1.7	-2.6	-2.7	1.5	2.3
Denmark	10.5	1.5	-5.0	-11.3	-2.9	4.1	6.0
Finland	3.4	6.4	0.1	-12.7	1.2	0.2	2.3
France	4.5	3.4	-2.4	-7.2	-3.4	0.6	1.1
Germany	4.5	0.7	2.6	-0.7	0.4	0.4	1.4
Ireland	5.4	0.9	-8.1	-34.6	-27.5	-7.3	1.6
Italy	1.0	-0.4	-4.2	-8.7	-4.8	2.4	3.9
Norway	6.0	8.7	-0.1	-3.4	-3.9	2.3	4.0
Portugal	-5.3	-0.4	-4.8	-9.9	-10.2	-3.1	0.8
Spain	5.9	2.9	-18.9	-26.1	-17.7	-4.7	-0.1
Sweden	8.4	4.6	-0.2	-4.4	2.1	7.8	3.4
Switzerland	-0.9	-2.3	0.1	1.0	1.1	0.9	1.5
The Netherlands	4.0	5.1	5.7	-4.9	-8.0	0.0	1.3
United Kingdom	0.9	2.2	-0.7	-11.0	-1.3	1.8	1.5
Western Europe (EC-15)	3.6	2.1	-3.5	-9.3	-4.4	0.6	1.8
Czech Republic	9.7	7.1	0.0	-1.0	-7.0	2.1	3.1
Hungary	-1.7	-3.8	-2.9	-9.4	2.8	5.3	6.9
Poland	11.4	12.7	11.4	4.3	10.0	14.5	14.1
Slovak Republic	16.1	6.0	11.0	-13.0	4.8	11.2	4.2
Eastern Europe (EC-4)	8.8	7.6	5.7	-0.7	3.7	9.9	9.8
Euroconstruct Countries (EC-19)	3.8	2.4	-3.1	-8.8	-4.0	1.2	2.4

Source: Euroconstruct, (69th Conference)

Construction Output in the Euroconstruct Area by Sector

Volume % change

Sector				Estimate	Forecasts		Outlook
	2006	2007	2008	2009	2010	2011	2012
New residential	5.5	-2.2	-16.2	-24.7	-6.6	3.7	6.3
Residential renovation	3.3	3.7	0.8	-3.6	-0.7	1.5	1.8
New non-residential	4.1	7.0	1.4	-12.4	-11.1	-1.1	0.8
Non-residential renovation	2.1	2.8	0.9	-4.3	-1.9	0.4	1.9
Civil engineering	3.2	2.2	0.7	0.2	-1.7	1.1	1.6
Total construction output	3.8	2.4	-3.1	-8.8	-4.0	1.2	2.4

Source: Euroconstruct (69th Conference)

EUROPEAN CONSTRUCTION BUSINESS RESEARCH AND FORECASTING GROUP

EUROCONSTRUCT was set up in 1975 by a number of specialised research institutes and consulting organisations as a study group for construction analysis and forecasting. It has since expanded from the core group to include almost all Western European countries (the European Union and EFTA), as well as a number of Eastern European countries. At present, **EUROCONSTRUCT** has member institutes in 19 European countries.

EUROCONSTRUCT'S network also extends to the Baltic States (through our Finnish partner), Japan (Research Institute for Construction and Economy, RICE, Tokyo) and Korea (Construction & Economy Research Institute of Korea, CERIK, Seoul).

The aim of **EUROCONSTRUCT** is to provide decision-makers in the construction sector and related markets and in ministries, agencies and national and international associations with information, analyses and forecasts to enable them to plan their business more effectively.

www.euroconstruct.org