

## Press Release

### Construction prospects in the Euroconstruct<sup>1</sup> region

**2009 will be the worst year for the Euroconstruct market for more than ten years with the volume of output expected to decline by 8.4%**

**Economic recession has severely affected the construction market with all countries except Poland recording a decline in GDP in 2009**

**Ireland is the worst performer with construction output projected to decline by 56% between 2007 and 2011.**

**Poland the star performer with the volume of construction output forecast to increase by almost 50% between 2007 and 2011.**

**30<sup>th</sup> November 2009:** Delegates at the **68<sup>th</sup> Euroconstruct Conference** held in Zurich on 27<sup>th</sup> November were informed that 2009 was the worst year for the construction market in the Euroconstruct Area in more than ten years. Construction output looks set to fall by 8.4% this year. In 2010 the volume of construction output is expected to record a more modest decline of 2.2%. An overall recovery in the 19 countries which represent the Euroconstruct area is not expected until 2011, and only then at a very modest rate (+1.6%).

The economic recession has severely impacted on the Euroconstruct area, with all 19 countries, except Poland (+1.3%), expected to record a contraction in GDP in 2009. The downturn in the construction market is more severe than the overall economic downturn. Total construction output dropped by 8.4% while GDP is expected to contract by 4% in 2009. The total Euroconstruct construction market is valued at €1,365 billion, which accounts for 11% of total GDP in the Euroconstruct area.

The performance of the individual countries is very different. With the exception of Switzerland (+3.3%) and Poland (+5.3%), all other countries are expected to record a decline in construction output this year. The greatest declines are expected in Ireland and Spain where construction

output is expected to contract by 32.2% and 21.5% respectively. Both countries were severely hit by the downturn in residential construction and the subsequent sharp decline in non-residential construction. The next two worst performers in 2009 are expected to be Finland (-14.2%) and the United Kingdom (-12.6%).

In regard to the Irish prospects, Annette Hughes of DKM Economic Consultants, the Irish member of Euroconstruct, stated "the Irish construction industry is by far the worst performer in the Euroconstruct area. With the industry experiencing its most severe contraction in thirty years, the severe adjustment underway is expected to result in a sharp decline in output over the period to 2011- by 32.2% in 2009, by 21.7% in 2010 and by a further 7.5% in 2011 - following a decline of 10.5% in 2008. Thus overall output in the Irish construction sector is projected to be 56% lower in 2011 compared with the peak in 2007 which is equivalent to an annual average decline of 18.6% per annum over the four years. The next worst performer in the Euroconstruct Area is Spain, where the volume of output is forecast to decline by 41% over the same period."

According to Annette Hughes, "three pressing issues exist for the Irish construction sector notably 1) the spate of job losses since the peak (Q2'07) with almost 225,000 jobs lost across the economy due to the contraction in construction activity, which is resulting in a considerable dent in the skills base of the industry; 2) the reductions in the public capital programme and the lack of a stimulus for public sector construction projects, with the risk of further reductions in the forthcoming Budget in December; and 3) the residential property overhang."

The preliminary assessment for 2012 is that overall output in the Irish construction industry is unlikely to return to a positive growth path until 2012, in the absence of any stimulus from the public sector. In contrast, all other member countries, except for Switzerland and the Netherlands, are expected to have recovered by 2011, with overall output in the Euroconstruct Area projected to increase by just 1.6%, followed by an increase of 2.5% in 2012.

The **Summary Report** of all papers read at the Euroconstruct conference and the **All Countries Report** containing detailed analyses and forecasts for the construction sectors of each of the 19 member countries, can be ordered from DKM Economic Consultants at [www.dkm.ie](http://www.dkm.ie).

Annette Hughes was delighted to announce that Dublin will be the location for the **69<sup>th</sup> Euroconstruct Conference in June 2010** at which delegates will discuss recovery strategies for firms and other stakeholders

in the industry in order to ensure that they are well placed to benefit from the recovery when it eventually comes.

## **ENDS**

**<sup>1</sup>Euroconstruct** is an association of 19 specialised research organisations across Europe, active since 1975. The network is internationally known for providing construction sector professionals and decision-makers with analysis and market forecasts, as well as regularly updated projections on short and medium-term developments in the European construction market. Euroconstruct has 19 country members: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, The Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland and United Kingdom. For further information see [www.euroconstruct.org](http://www.euroconstruct.org) and [www.dkm.ie](http://www.dkm.ie).

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