

IMPACT OF ECONOMIC AND FINANCIAL CRISIS IN THE CONSTRUCTION INDUSTRY

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Abstract:

The current financial and economic crisis has affected many sectors, and also the construction sector. The construction market has been and will be an important source of income for the entire Europe, totaling about 1.650 thousand billion euro, which is more than the GDP of Italy. Building no doubt brings significant percentage in the GDP of any European country, which of course is different from country to country. In Western European countries, the residential market is almost 50% from the construction market, while in Eastern European countries the majority is held by the civil and non-residential constructions. In addition, in the West the medium budget per capita spent on construction is 3-4 times higher than that spent in Eastern countries. But, according to previsions in the coming years the countries that will witness a growth, albeit small, will be the Eastern ones.

The paper highlights the impact of the economic and financial crisis in the construction industry on a European and national level, as the sustainable constructions that may represent the sector's future.

Key words: construction market, economic crisis, sustainable constructions, residential constructions.

Introduction

In 2008, the European economy was marked by the growing global financial and economic crisis which entered a critical phase during September. This crisis is rooted in the prime mortgage sub-crisis and consequently in the sharp economic slowdown in the United States as well as high oil and commodity prices.

According to spring forecasts drawn up in early March 2009 by the European Commission and Eurostat, economic growth is forecast to have dropped to about 1% in 2008 in both the EU27 and the euro area (from just below 3% in 2007). According to the European Commission – and despite the still favourable economic climate in the first half of 2008 – the current downward trend is the result of the impact of the intensified financial crisis on the real economy, which generated a

global downturn manifested in the severe contraction of world trade and manufacturing output and, in some countries, weakening housing markets.

The increase in prices, which peaked in the summer of 2008, has since slowed considerably. The level of inflation will continue to fall sharply towards the end of 2009.

After developing favourably from 2005 to 2007, 2008 saw the labour market situation begin to worsen in most EU Member States. Reacting with a certain time-lag to changes in GDP growth, employment growth is expected to contract by about 2.5% in both EU and the euro area this year and by a further 1.5% in 2010 (it is expected a loss of about 8.5 million jobs in 2010). As a result, the unemployment rate is expected to increase to 9.4% in the EU in 2009, with a further increase in 2010.

An exceptional degree of uncertainty however surrounds these forecasts as the world economy faces its worst crisis since World War II. Against this gloomy backdrop, government consumption and public investment are expected to provide some relief, the fact that inflationary pressures have eased should contribute to private consumption. The discretionary fiscal and monetary measures announced since August 2008 might also be more effective than anticipated in restoring stability and confidence in financial markets and supporting economic activity.

The dynamics of construction sector in EU countries

The economic situation, to which we referred above, was felt in the construction sector, which was steadily growing in the first half of 2008, before the negative impact of the financial crisis. Nevertheless, the total construction output in 2008 in the EU is estimated to have stagnated, with only +0.2% growth, which represents 1.3 billion euro.

Despite this slowdown following the fairly positive results recorded in 2006 and 2007, the construction sector continues to represent a significant share of the EU economy as a whole (10.4% of total EU GDP in 2008).

If in 2007, Portugal was the only EU country to have suffered negative growth in construction activity, the trend has very much changed since the summer of 2008 when many other EU countries experienced negative construction growth due to the intensifying financial and economic crisis.

Although the situation varies significantly from one EU country to the other and from one sub-sector to the other, some general trends can be observed:

- Credit conditions are tightening and obtaining credit insurance is increasingly difficult;

- Construction companies face financing difficulties and, in some extreme cases, even bankruptcy. The sector is mainly composed of SMEs which are heavily reliant on bank lending being more exposed to late payment by clients, both from private and public clients.

- The contraction in the new housebuilding segment is continuing and even deepening. This segment is suffering, in particular, from a marked drawback in household and because of the lack of confidence in future market prospects. Householders are consequently postponing their investment in property, despite interest rates currently being at very low levels.

- The non-residential market is influenced by the business climate, which is experiencing low investment levels. In a departure from the trend recorded in previous years, this sub-sector is no sustained by public building investment (+8.2% growth in 2008 – in health and education sectors), while the private non-residential sector is more affected by the slowdown (+2.3% growth in 2008). This trend is more acute in 2009 (+1.5% for public and -7% for private non-residential).

- In general, civil engineering works have fallen back compared to previous year although it helped to sustain construction activity in many EU countries. This forecast is premised on the expected positive impact of the European and national economic recovery plans, which give priority to infrastructure works. The positive forecast is however offset by expected decreases in this segment in some other EU countries.

- Notwithstanding a very slight rate of growth of 0.9% in 2008, rehabilitation and maintenance works (R&M) remain the main engine of growth in the housing segment. In most EU countries, investors tend to favour

investment in renovation and retrofitting of housing, rather than in new housing. This is namely due to the current trend towards environmental considerations in the building sector, and in particular to fiscal incentives which exist in many EU countries for energy efficient investment.

Evidently, all these developments have an impact on employment in the construction industry which in 2008, for the first time in ten years, experienced a decrease. (www.fiec.com)

As regards the specific situations in the various EU Member States, one can say that Eastern European countries have been less impacted by the crisis in 2008. Poland, Romania, Bulgaria, Slovakia, Slovenia experienced healthy construction activity growth in 2008. By contrast, Hungary (-8% in the first three quarters) and Estonia are exceptions, because their economic difficulties had started already before the current crisis intensified. The Czech Republic also faced difficulties, but to a lesser extent and with the exceptions of transport infrastructure and rehabilitation and maintenance segments which maintained at a higher level.

On the one hand, Eastern European countries are affected by credit constraints because these countries rely greatly on credit from Western European Banks priced in euros, but on the other, they benefit from significant EU funding for public investment. However, real benefits depend on the capacity of each country to efficiently "absorb" these available funds.

The construction markets of Western European countries have been more sensitive to the effects of the financial crisis and the general economic downturn. France, Italy, Denmark, Portugal, Greece experienced negative growth in construction activity in 2008, while Netherlands, Belgium, Sweden, Austria

and Finland saw a clear slowdown of their construction growth rates.

It is worth mentioning that the difficulties experienced by some Western European countries are not systematically due to the intensification of the financial crisis in 2008. It is the case of the United Kingdom, Spain and Ireland, where the real estate market had already begun a significant slowdown in 2007.

Despite the various national situations and the European and national economic recovery plans which have been put in place since August 2008, the European construction industry registered negative growth in 2009.

Considering the measures taken by both the EU and Member States to invest in large scale public infrastructure projects and to promote the energy efficiency of buildings as a solution to the economic downturn, the most affected construction area is expected to be the construction of new houses where the demand collapsed in most EU countries (table 1).

We believe the situation on construction segments is interesting at EU level.

Housebuilding – New residential construction, which was the main pillar of construction activity until 2006, is now following a clear downward trend since 2007, respectively -3.8% in 2007 and -14% in 2009. Since mid-2008, this trend has mainly due to the deterioration in private investor's access to credit, as well as householder's lack of confidence in future market prospects.

In many countries, this has led to a sizeable inventory of unsold newly built houses and a fall in housing prices. This is particularly the case in Ireland, Spain and the United Kingdom where demand has collapsed. Cyprus, Sweden, Belgium and Lithuania also experienced a major reversal in fortune in this segment.

Even in Germany, which was not yet impacted by the financial crisis in

2008 and experienced construction growth, the new residential segment decreased, namely because of recent cuts in governmental subsidies.

Table 1
Evolution of the construction sector on European level over the past 5 years (%)

COUNTRY	YEARS				
	2005	2006	2007	2008	2009 T1
Austria	-0.9	4.6	0.8	0.8	-0.3
Belgium	4.0	7.0	3.4	0.2	-1.4
Bulgaria	32.3	21.9	26.0	13.7	1.8
Czech Rep.	2.2	9.6	6.8	1.0	0.5
Germany	-3.0	5.0	1.8	2.8	-1.5
Denmark	5.1	9.9	1.9	-3.1	-9.2
Estonia	19.8	30.0	11.5	-14.0	NA
Spain	6.0	6.0	4.0	-4.3	-8.4
Finland	5.3	4.3	8.3	4.1	-13.3
France	4.0	5.3	4.1	-1.2	-6.0
Great Britain	-1.0	1.1	2.5	1.0	-7.6
Ireland	8.4	7.9	1.1	NA	NA
Italy	0.7	1.1	1.0	-2.3	-6.8
Lithuania	11.5	21.4	21.6	0.8	NA
Netherlands	2.7	4.6	5.9	3.0	-4.5
Portugal	-3.1	-5.7	-0.5	-3.1	1.1
Romania	NA	15.9	48.9	14.4	-12.8
Sweden	4.2	10.0	6.4	2.9	-5.6
Slovenia	3.1	16.0	14.7	15.1	-12.0
EU	1.2	4.2	3.1	0.2	-5.2
Switzerland	4.3	0.8	2.4	2.7	-5.0
Turkey	NA	NA	NA	NA	NA

Legend: NA – unspecified
T1 – 1st quarter

Source: EIC (European International Contractors)

The downward trend is generally reflected in the number of construction permits or construction starts and completions. A dramatic decline in completions from 80.000 units in 2007 to 55.000 units in 2010 is expected in the Netherlands. Bulgaria faced an 11% decrease of new housebuilding construction permits compared to 2007. Similarly, in Denmark is expected a decline of housing construction starts

from 24.000 in 2007 to 14.000 units in 2009 while Poland also reports a significant decline of construction permits in 2008 and 2009. In some Eastern European countries however, the demand for new dwellings remained high in 2008. This is, for instance, the case in the Czech Republic, Romania and Slovakia.

Non-residential buildings - In line with the 2006 and 2007 trend, the non-

residential segment remained a major engine of construction activity growth in 2008. However, in contrast to the previous trend, the public component was clearly the major one compared to the private sector. This trend reversal comes on the back of the financial crisis as private investors have become more reluctant to take risks and national and public authorities have partially filled the vacuum through launching public investment programmes in the building sector to sustain economic growth. In some countries however, the private non-residential segment remained higher than the public one. This is the case in Denmark and in Belgium.

Growth in the non-residential sector was very strong in Romania as well as in Finland, where it compensated for the poor performance of the housebuilding segment. Robust growth rates were also registered in Germany, the United Kingdom – mainly sustained by public construction projects in the education sector – as well as in the Netherlands and Sweden – especially due to still favourable finances of local authorities. In comparison, the situation was less favourable in Cyprus, Poland, Slovenia, Austria and France, where the construction of public buildings is affected by the electoral cycle and the reduced investment capability of local authorities.

Civil engineering - with growth in 2008 of +2.3%, civil engineering was the second main sector of construction activity. But, in contrast to the previous years, the public investment share in this sector showed an upward trend compared to private investment. Again, this is mainly due to the consequences of the financial and economic crisis.

The still favourable economic climate during the first half of 2008 and the significant amounts of public investment, which have been targeted at infrastructure projects (in particular transport infrastructure) in order to sustain the economy, contributed to

growth in this segment in 2008 in many EU countries. Notably, strong growth was recorded in Bulgaria, where public investment programmes in infrastructure are expected to create thousands of jobs, as in Romania, Slovenia, Lithuania and the United Kingdom, where this segment is benefited in 2009 from major projects underway (e.g. Crossrail, M25 motorway, London 2012).

Several EU countries experienced though negative growth in this sector in 2008, like Italy, where the downward trend which started in 2005 was confirmed. Denmark and France also experienced such a downward trend, due to the adverse financial situation of local authorities. Hungary reported a strong decline in all civil engineering areas, except pipelines, telecommunication and electric networks.

Considering the priority given by European and national public authorities to infrastructure, civil engineering was the only sub-sector – together with public non-residential – that recorded positive growth in 2009.

Rehabilitation and maintenance – in line with the trend which started in 2007, the R&M sector experienced a higher growth rate than new housing in 2008. In general, both residential and non-residential markets are expected to benefit from the European and national measures targeting the renovation and retrofitting of buildings as a means to reduce the environmental impact of buildings and accelerate economic recovery through support to a high labor-intensive service. Also, this sub-sector is traditionally less tied to variations in the general economic climate.

Several EU Member States nonetheless experienced a decrease in R&M activity in 2008. This was the case of Portugal and Denmark – where was recorded a further decrease of -6.5% in 2009 – of Spain and Italy, where 2008 was the first year of slightly negative

signs in this sub-sector. With a growth rate of +0.9%, compared to +9.2% in 2007, Austrian housing renovation has also been strongly hit by the economic downturn and only 1/5 of private home owners plan to renovate their homes within the 2009-2011 forecast period.

For the majority of the other EU countries, R&M remains a robust sub-sector. With a growth rate of 2.3% in 2008, R&M works represent now more than 70% of total residential construction in Germany. The German government's successful CO₂ building rehabilitation programme will receive additional 3 billion euros between 2009 and 2011. The Belgian housing market is also very much linked to R&M, which will be supported by new measures introduced by the national economic recovery plan.

To further sustain R&M, the Swedish government also introduced a tax deduction for building services. Finnish residential renovation is also expected to increase, boosted by fiscal incentives (possible deduction of 60% of the R&M costs from taxable income). In Ireland, the government's schemes to incentivise the energy efficient retrofitting of buildings should stimulate the construction sector whereas in Bulgaria, private investment is increasing in the renovations segment.

Employment – in 2008, the level of employment in overall EU construction activity was estimated to around 15.9 million workers, which represents a decrease of -1% compared to 2007. In 2009 the employment in construction declined by -5.1%.

Except for some countries, such as Spain, Ireland and Hungary where a strong decline of the employment level in construction was already recorder in 2008, most of the other EU Member States recorded an upward trend in 2008 with a slowdown in the construction employment market only at the end of the year (Table 2). For instance, Cyprus, Finland, Greece, Poland and Slovenia experienced growth in construction employment. By contrast, the majority of EU countries expect job losses in 2009 and 2010. Denmark forecasts the loss of 11,000 jobs while France forecasts 25,000 to 30,000 losses in the building sector alone. Italy experienced a loss of 130,000 jobs in 2009.

Greater job mobility is likely to be observed towards markets less affected by the economic crisis. At the end of 2008, Romania and Slovakia had already reported the return of many of their nationals who had been working abroad principally due to the slowdown affecting Western Europe. (www.fiec.com)

Table 2
Employment in the EU construction sector (thousands)

COUNTRY	YEARS				
	2005	2006	2007	2008	2009 T1
Austria	236	240	247	245	241
Belgium	190	198	204	204	200
Bulgaria	NA	NA	212	260	240
Cyprus	27	27	28	31	21
Czech Rep.	NA	NA	NA	NA	NA
Germany	1.738	1.722	1.751	1.750	1.710
Denmark	150	158	165	159	147
Estonia	40	48	57	NA	NA
Spain	2.060	2.189	2.306	2.052	1.765

Finland	137	142	154	160	140
France	1.437	1.498	1.536	1.601	1.581
Great Britain	1.111	1.117	1.145	1.149	1.143
Greece	NA	NA	NA	NA	NA
Hungary	240	247	254	239	222
Ireland	176	192	209	180	130
Italy	1.171	1.203	1.243	1.238	1.155
Lithuania	120	131	150	145	87
Netherlands	368	367	371	377	372
Poland	317	329	393	414	420
Portugal	418	426	440	420	422
Romania	343	360	400	400	410
Sweden	200	209	222	247	225
Slovenia	57	61	68	77	70
UE	10.318	10.624	11.102	10.907	10.341
Switzerland	250	253	272	278	270
Turkey	899	991	1.130	NA	NA

Legend: NA – unspecified
T1 – 1st quarter

Source: EIC (European International Contractors)

The development of the construction sector within the national economy

2007 was a successful period for the Romanian economy. The positive trend of the recent years continued in all economic fields. GDP grew by 6.5% compared to the same period in 2006, and 2008 started well, the economic progress continuing in 2007.

In the fourth quarter of 2007, the economic effects of the financial-economic crisis throughout Europe began to feel. The automobiles production decreased, real-estate investments, horizontal production for automotive and other fields. There was also the phenomenon of restriction of activity and therefore reduction of staff.

The inflation rate had an unwanted oscillation. If at the beginning of the year a continuous decrease was shaped, with the passage of the second quarter all prices started to increase, wages and pensions were raised, and towards the end of the year the inflation

exceeded 6.8%. This aspect will be very difficult to adjust and also the return to a programmed decrease of inflation.

The construction works recorded in January 2009 compared with December 2008 a decrease of 6.4%. On structural elements were recorded decreases from all components: maintenance and current repairs (-27.1%), major repairs (-4.7%), and new constructions (-2.2%). According to the National Statistics Institute (INS) engineering constructions decreased with 16%, non-residential buildings with 4.4%, and residential buildings with 2.3%.

According to an article published in the "Share market" newspaper on 20.09.2009 "construction sector activity grew in March by 1.7% from February 2009, being the third growth in the EU (source: Eurostat). In reality, the construction sector in our country is facing very big problems. New investments in infrastructure are entirely lacking, and many works still lack enough funds. The real estate market is

blocked, the constructors still have a lot of money to recover from the state and have already made discharges. Also, the crisis affected the Romanian construction sector since the end of last year, but it coincided with the cold season. If the year will end with few investments and without carrying out the majority of contracts from European

funds, the construction market faces a dramatic decrease, tens of discharges and hundreds of bankrupt companies.”

In table 3 there is presented some information on the achievements of the construction sector in these two years including the development from the previous year:

Table 3
The achievements of the construction sector on national scale

Domain	U/M	Value		Trend %	
		2007	2008	2007	2008
Construction	Mill. Euros	11340	14288	+33.8	+26
Of which					
- residential constructions		1796	2125	+29.3	+18.3
- non-residential constructions		2497	3314	+36.0	+32.7
- civil constructions		6448	8118	+34.0	+25.9
Employee	Thousand persons	400	410	+1.1	+1.0
Gross average wage		1185	1440		+21.6
Average exchange rate	RON/EURO	3.34	3.683	-0.05	+10.2

Source: ARACO

Residential constructions - The annual volume of residential buildings in Romania was between 30 and 35 thousand homes in the recent years. In late 2007, about 42 thousand houses were in a finishing phase. The construction of apartments for new married couples (less than 35 years) continued in 2008 in a supported program, although public funds covered only 8% of their total value. Another part of the public funds was used for the construction of houses for those who have been affected by floods in early 2007 and 2008.

Most of the funds for residential buildings were private and were used in the construction of new residential areas in Bucharest and major cities. Even if prices for those buildings have exceeded 1800eurp/sqm, the market offer was below request until the beginning of the first quarter of 2007. After October, when the financial crisis

began to emerge, when banks lending reduced substantially, the demand has decreased to a significant extent. While prices of new apartments fell sometimes over 20%, the demand continues to be at a lower level than at the beginning of the year. It is estimated that if the banks will resume their lending activity, the demand for houses will increase again but may be lower than the offer.

In the first 11 months of 2008 the increase of the value of works for residential buildings was 21.6% compared to the same period in 2007, at the end of the year the increase being of only 18.3%.

Building permits issued for residential buildings in 2008 were 57 thousand from a total of 112 thousand permits, with a growth of up to 9.1% from 2007 (figure 1).

Non-residential constructions - In 2008 non-residential buildings recorded a large increase. The foreign companies

had had an important contribution to that, by obtaining permits to build high non-residential buildings. Thus in Bucharest there are in construction

many buildings over 20 floors, which in a region exposed to earthquakes is something new. These buildings are generally made with steel structures.

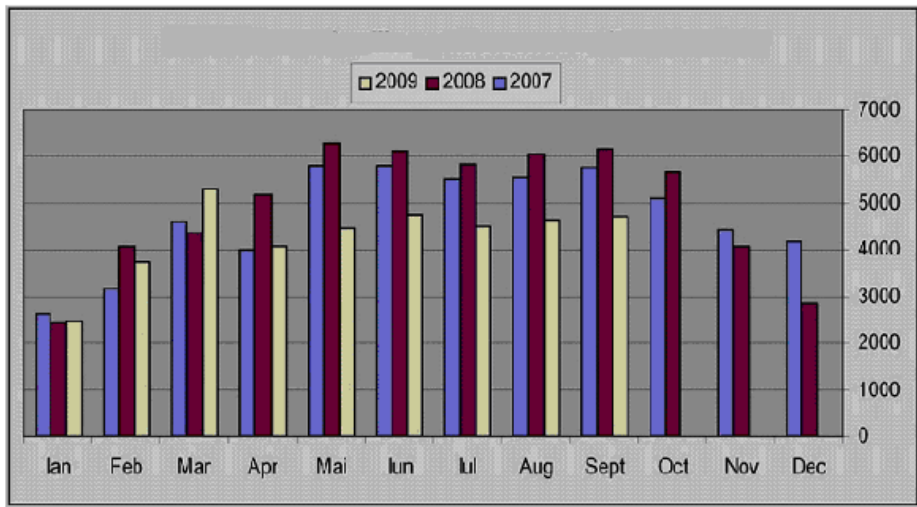


Figure 1. Number of residential building permits

Source: INS (National Statistics Institute)

In many districts of Bucharest, as in large cities, there are new shopping and administrative centers. We assist at a great extension of commercial companies from European countries and beyond, which build new supermarkets in major cities. There are a number of activities for repair and reconstruction of some old non-residential buildings.

Overall, in 2008 the value of construction works for non-residential works grew with 32.7%.

Engineering constructions - The value of engineering works registered in 2008 a growth of 25.9% over the previous year there being a wide program for the construction and rehabilitation of roads, bridges, streets and highways. Moreover, on this program will largely depend the construction's industry for getting out of the crisis.

The works at Transylvania Highway continued although there were some human and financial difficulties. It

also continued the works t Sun Highway to the Black Sea.

In Bucharest began a program of rehabilitation of the old historic center. There are performed many infrastructure works there being a new development plan of this area. Works are going very slowly mainly due to the discovery of some archaeological sites that must be preserved.

Given the fact that the problem of car traffic in Bucharest and in the major cities is very acute, local bodies make great efforts to ease this situation by building or organizing parking lots, expanding or reorganizing the streets, by building tunnels or subterranean passages at various overburdened intersections.

In order to solve the traffic and parking of an increasingly large number of cars, in Bucharest it is projected the construction of over 20 above ground and underground parking. There are also being studied the projects for several big passages in the key busy intersections of the city, the construction

of the first one already being run by an Italian-Spanish consortium.

Human Resources - At present Romania's population can come to 21.5 million people. Of these, about 2 million people worked abroad in 2008 (in Spain, Italy, Portugal, Israel, Germany) in the construction sector and in agriculture. This people brought in Romania over 2 billion euro. The shortages of labor particularly that of qualified labor, severely affected the construction industry in early 2008. With the financial crisis in Europe, but also in Romania, labor demand decreased and some workers have returned.(www.araco.org)

Sustainable construction, an opportunity for the future

The economic crisis is not the only challenge that the construction industry is going to face. Fighting global warming will have repercussions on all segments of the construction. The experts have drawn a warning that the sector's future will inevitably stand in sustainable constructions.

Infrastructure - Infrastructure projects should take into account the problem of global warming. Experts recommend a flexible approach which means projects for long and medium term works. Infrastructure should be designed more efficiently to better withstand climate fluctuations. So innovation and research will be essential for the development of this sector in the coming decades.

Housing insulation - Energy performance is also one of the most important challenges in terms of current and future stock of houses. The message is clear: the house should consume as less energy as possible and to use more recoverable energy. And this will inevitably happen by insulating the house. At the conference in Brussels two scenarios were presented and each targeting to reduce by up to 70% the emissions gases with greenhouse effect by 2050. Both

studied scenarios show that in order to reach that target all the houses should be renovated or reconstructed in period 2010-2050.

Technological development - Further development of construction materials and technologies will help to combat global warming. Insulation materials are continually developing and every year there are discovered new uses of photovoltaic cells. Automated applications for reducing gas and electricity consumption and a number of modern machines available to the general public should reduce the emissions from the construction of buildings. Besides technological progress, construction will also need to adapt to new trends and different lifestyles: aging, migration, increasing the number of houses without floor.(www.eubuild.com)

Measurable benefits as long as those hardly measurable of a sustainable building make such construction more profitable on long term than a normal building. For developers, investments in a sustainable building means a risk reduction compared with the investments in a traditional building, because such investments attract buyers interested in reducing operating costs, a better work environment and other benefits of green buildings.

Another element which increases the share value of green buildings is that it depreciates much harder on the market, compared to normal buildings. Being built on higher standards than the normal ones in construction, a sustainable building is likely to remain competitive on the market even if the basic standards become tougher.

A study published by Greg Kats for Massachusetts Technology Collaborative shows that if the initial investments for the construction of a building would increase by 2% to cover more elements of sustainability, the savings for operating costs, for the entire cycle of the buildings' existence,

would be ten times the initial investment, or 20% of the total construction costs.

Significant changes are expected in the construction market in Romania. If in 2007, in our country entered in force the certificates for energy performance, through Energy Efficiency of the Building Directive, in April 2009, the European Parliament approving a rougher version. The purpose of the directive is that all Member States ensure that, by December 31, 2016, all newly constructed buildings will have zero net energy consumption. Moreover, targets will be set for the buildings used by the public authorities, which should have zero net energy consumption by at least 3 years before the private buildings.

Among a series of advantages, sustainable constructions also have some disadvantages. "Energy Efficiency in Buildings" project of the World Business Council on Sustainable Development, and its member companies, have made a report which explained the difficulties of the construction industry to introduce green buildings. One of the conclusions of this report was the fact that all additional costs necessary to build a more efficient building do not exceed 5% of the total costs, and that the real estate and construction experts overestimate the costs of sustainable buildings construction.

Conclusions

No European country has been exempt from the economic crisis, and here is also included the construction sector. In 2009, in Western Europe the production in constructions decreased and will remain afloat. Ireland and Spain are and will be the countries most affected by the crisis. For these two countries, experts have predicted an increase of 0.2% for 2010 and nearly 1.5% in 2011, according to the economic scenario presented at the conference in Brussels.

In Eastern Europe, the construction industry will continue to grow in 2009, but less than in the previous years. Poland is one of the few countries that pass through a very good period, thanks to the infrastructure ongoing projects. Thus, beginning with 2010 the increase in the construction segment will be sustained by Eastern European countries.

But, despite these optimistic forecasts, a big uncertainty remains: European economic rate. The special economic situation that is felt made these forecasts uncertain.

With regard to our country, companies in the construction sector remain among the most vulnerable to the crisis, both in terms of legislation and economic and social measures, economic recovery and also the recovery of the construction sector, which the Government delays to implement.

It is noteworthy that economic crisis in the construction sector was delayed by the overlap with the cold weather, the number of unemployed registered in the winter of 2008-2009 (over 20.000 employees) was exceeded by the number of employees in construction temporary protected by the Social House of Constructors (over 27.000 employees).

The first effects of the economic crisis were felt since early 2009 in both physical volume of construction works and in the value of the investments volume in the sector, because the Government failed to fulfill a series of promises including the failure to provide the 10 billion euro for investments, non-taxation of reinvested profits, VAT collection from invoices, etc.

The measures taken by the Government, including programs like "The first house", highly publicized but with delayed effects on the construction sector do not meet the expectations of most constructors.

Under the continuing crisis and lack of concrete economic recovery

measures and therefore of the construction recovery, a stagnation is likely to happen or even a compression of the construction sector, increasing the number of bankruptcies and unemployed leads to a decrease in the number of work force in the sector.

According to the economic scenario presented in Brussels, the

sector should recover in 2010, but not for all the segments of the building. The first to recover will be the civil construction, followed very close by renovations. But there is no improvement for new constructions, which will have to wait until 2011 to be stretched.

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