

**EECFA – BUILDECON**

# EECFA 2018 Summer Construction Forecast

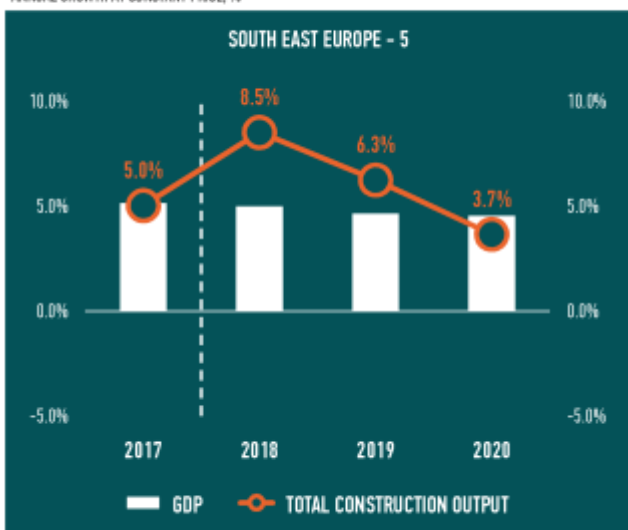
Posted on ~~June 19, 2018~~ ~~June 20, 2018~~ by [efalucskai](#)

The Eastern European Construction Forecasting Association (EECFA) – the forecasting association conducting research on the construction markets of 8 Eastern European countries – has released its 2018 Summer Construction Forecast Reports up to 2020. The main findings of the reports are summarized below. The full reports can be purchased, and a sample report can be viewed at [eecfa.com](http://eecfa.com) (<http://eecfa.com/>).

## Construction up to 2020 in ‘South-East Europe-5’ (Bulgaria, Croatia, Romania, Serbia, Slovenia)

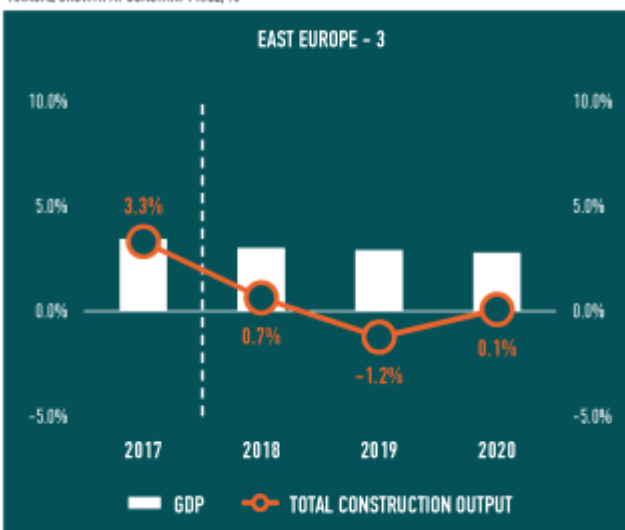
The region is posting a strong economic growth which is fuelling building construction. Some of the region’s housing markets are seeing record-breaking results, so the first voices for overheating appeared. We think these markets are far from it, though. At the same time, construction labour shortage, due to economic migration from these countries to Western Europe, is one factor giving cause for concern in the future. With accelerating absorption of EU funds, civil engineering is expected to contribute positively to growth all the way on the forecast horizon.

**GDP AND CONSTRUCTION OUTPUT FORECAST IN SEE COUNTRIES OF EECFA**  
BULGARIA, CROATIA, ROMANIA, SERBIA, SLOVENIA  
ANNUAL GROWTH AT CONSTANT PRICE, %



SOURCES OF DATA: GDP - EUROPEAN COMMISSION, NATIONAL MACRO FORECASTERS  
CONSTRUCTION OUTPUT - EECFA 2018 SUMMER REPORTS

**GDP AND CONSTRUCTION OUTPUT FORECAST IN EE COUNTRIES OF EECFA**  
RUSSIA, TURKEY, UKRAINE  
ANNUAL GROWTH AT CONSTANT PRICE, %



SOURCES OF DATA: GDP - EUROPEAN COMMISSION, IMF WEO, RUSSIA MINISTRY OF ECONOMIC DEVELOPMENT, MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE OF UKRAINE  
CONSTRUCTION OUTPUT - EECFA 2018 SUMMER REPORTS

(<https://bildecon.files.wordpress.com/2018/06/pressgraph18h1-1.png>).

## Bulgaria

Construction output in Bulgaria continues its recovery and is expected to reach an 8.8% growth in 2018. The star performer is the residential construction segment, benefitting from improved employment and real disposable income, as well as the ongoing process of the concentration of population in big cities. Additionally, the steady economic development will increase investments in non-residential projects. Civil engineering construction is forecasted to contribute strongly in the next few years after EU fund absorption started catching up. Therefore, estimations for 2019 and 2020 are for an additional growth of 7.1% and 6.0% respectively.

## **Croatia**

Croatia's construction output is likely to grow at a respectable rate until 2020 (by an estimated 2.2% in 2017 and a forecast 11.6%, 6.2% and 4.0% in 2018, 2019 and 2020, respectively). Particularly well performing sectors include hotel construction, education and health and certain civil engineering subsectors, especially railways. A global trade war, fallout from the Agrokor crisis and rapidly rising construction costs are threats to Croatia's construction industry. And all are now significantly more likely to occur than they were at the time of EECFA's 2017 Winter Report. But fortunately, none yet constitutes an imminent danger. In 2021 or soon thereafter growth will probably begin to tail off in a number of important sectors as Croatia's catch-up phase gradually comes to an end, but exactly when and how this will occur is not yet clear.

## **Romania**

The housing and non-residential segments are set to continue their excellent performance in 2018, and, in spite of an underwhelming performance in the civil engineering segment, the total growth of the construction sector in 2018 is forecasted to reach 7.1% (up from +6.8% in Winter 2017). As projects co-funded by the EU are starting to be implemented, the civil engineering situation is to slightly improve, and total construction output in 2019 is to increase by 6% (up from 5% in the previous report). By 2020, we predict that residential expansion will start slowing down and civil engineering will stabilize, and, thus, total construction should grow by only 2.7% in that year.

## **Serbia**

The performance of the construction industry in Serbia is now in a third year of expansion and all indicators are showing more growth on the horizon. The macroeconomic environment is increasingly favourable and the levels of FDI have also topped record levels. There is an ongoing boom in building construction, while the government will add more growth by initiating a new cycle of large infrastructure projects. This means construction outputs will sustain a steady rise in the coming years, where practically all segments will see their share. Leading buildings projects are in residential, retail and office segments, while roads, railroads and energy are expected to strongly support figures in civil construction.

## **Slovenia**

Slovenia shows a steady increase in its construction output growth with an 8.7% rise forecasted for 2018. This overall growth is based on a strong expansion in civil engineering and non-residential segments where a much-improved economic situation in Slovenia has resulted in more public financing available for new construction projects. Residential construction is increasing as well but seems to be lower than the fast-increasing demand for existing dwellings, resulting in fast growth in prices on the secondary market. With cheap and increasingly available credit, demand for residential construction will continue to increase and will lead to strong growth in new residential construction in 2019 and 2020. Other segments will depend on the development of only a few large civil engineering and non-residential projects. If their construction proceeds fast, overall construction might even exceed the optimistic forecasts currently in place for Slovenia.

## **Construction up to 2020 in 'East Europe-3' (Russia, Turkey, Ukraine)**

For this year, the region's construction market looks a mixed bag with Ukraine's construction market showing positive expected growth rates, but with Turkey and Russia exhibiting near-zero growth. Up to 2020, the completion of big-league projects in Russia is exhausting the future pipeline, and this, together with the low purchasing power of the Russian population and the new restrictive legislation for construction companies, is suggesting a negative outlook. In Turkey, on the other hand, the

significantly higher housing supply than demand is a problem, suggesting a drop next year, followed by just a slight expansion in 2020. Ukraine should still post positive growth up to 2020, though at a slower rate as the current overheated residential market should gradually cool down.

EECFA COUNTRIES CONSTRUCTION MARKET SIZE AND DEVELOPMENT	VALUE (EUR MLN)	GROWTH RATES AT CONSTANT PRICE (%)						
	2017	2014	2015	2016	2017(E)	2018(F)	2019(F)	2020(F)
BULGARIA	5 806	17.3	21.0	-40.2	7.2	8.8	7.1	6.0
CROATIA	3 072	-11.5	5.0	3.6	2.2	11.6	6.2	4.0
ROMANIA	16 448	1.0	19.4	-12.3	4.0	7.1	6.0	2.7
SERBIA	2 394	1.9	18.0	7.7	6.5	13.4	6.2	3.4
SLOVENIA	2 512	9.8	-3.3	-10.5	9.7	8.7	5.8	4.1
SOUTH-EAST EUROPE-5	30 231	4.1	16.4	-16.9	5.0	8.5	6.3	3.7
RUSSIA	133 583	0.3	-2.1	-1.8	-0.6	0.7	-1.9	-1.4
TURKEY	128 741	4.9	6.1	4.2	7.5	0.3	-0.8	1.6
UKRAINE	7 013	-19.0	-12.1	12.3	7.1	5.8	2.7	1.3
EAST EUROPE-3	269 337	1.6	1.1	1.2	3.3	0.7	-1.2	0.1
EECFA-8	299 569	1.8	2.7	-0.9	3.5	1.4	-0.4	0.5

SOURCE: EECFA 2018 SUMMER

(<https://buildecon.files.wordpress.com/2018/06/pressgraph18h1-2.png>).

## Russia

Last year the Russian construction market is estimated to have registered -0.6%, mainly due to the slump in civil engineering. This year, total construction is set to grow by 0.7%, while as early as 2019-2020, it is to show a steady decline (by 1.9% in 2019 and by 1.4% in 2020). Even though the Russian economy has finally overcome the crisis and stepped on a positive development path, construction, despite supported by relatively favourable macroeconomic conditions, will be hit by the completion of many infrastructure projects in 2018-2020 such as the Crimean bridge, the buildings for the FIFA World Cup 2018, Siberia Power gas pipeline, and several highways, among others). Housing – the second largest segment of the Russian construction market after civil engineering – could become the locomotive of construction, but this will not happen in the nearest years as the segment should drop due to the newly introduced legislation that increases the costs for construction companies; the lingering reduced solvency of Russians, and the exhaustion of the positive effect of low mortgage rates.

## Turkey

Last year Turkey recorded exceptionally high peaks in both construction and occupancy permits for buildings total in general, and residential buildings in particular. Massive growth in building starts and completions in 2017 coincided with high growth rates of Gross Domestic Product (GDP). Q1 2018 started to witness an inevitable drop from such peaks in permits. Due to the big backlog of buildings under construction, completions increased by 3.4% in the number of buildings, but decreased by 0.5% in their total floor area in the same quarter. Although real price of housing has been decreasing in most regions and building construction costs have been increasing together with the depreciation of the Turkish Lira, aggregate construction output of buildings is expected to continue without an aggregate fall in the near future. Civil engineering construction output, on the other hand, may have less growth than expected due to the effects of military activities in Syria on the Government's budget and the depreciation of the Turkish Lira.

## Ukraine

Construction industry in Ukraine has good overall growth prospects and it has been a leader in the economy for the second consecutive year. The residential market is seeing growth but supply significantly outnumbers demand and the real income of the population is low. At the same time, demand for new housing remains, mainly in the one- or two-room, and small-sized apartment segments. Commercial real estate so far has posted slightly lower growth rates, similarly to the overall economy of Ukraine. Civil engineering construction registered the healthy growth rates for 2017 and with state financing, local budgets and international funds, the segment has all the prospects for a considerable growth in the future (primarily roads).

**Source of data: EECFA Construction Forecast Report, 2018 Summer**

**Contact information: [www.eecfa.com](http://www.eecfa.com) (<http://www.eecfa.com>), [info@eecfa.com](mailto:info@eecfa.com)**

**Our forecast reports are available for purchase, for discount options and orders, please write to: [eszter.falucskai@eecfa.com](mailto:eszter.falucskai@eecfa.com).**

**Sample report: [http://eecfa.com/#sample\\_report](http://eecfa.com/#sample_report) ([http://eecfa.com/#sample\\_report](http://eecfa.com/#sample_report)) (an interactive map pops up, please close it to arrive to the sample report)**

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