### Construction Activity in Europe

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**June, Juin, Juni 2010**

**European Construction Industry Federation**
Total construction in 2009 (EU 27):
1,173 billion €

9.9% of GDP in 2009 (EU 27):
51.4% of Gross Fixed Capital Formation

3 million enterprises (EU 27), of which:
95% are SMEs with fewer than 20 and
93% with fewer than 10 operatives

14.9 million operatives
7.1% of Europe’s total employment
biggest industrial employer in Europe
(29.1% of industrial employment)

44.6 million workers in the EU depend, directly or indirectly, on the construction sector*

Multiplier effect:
1 person working in the construction industry
= 2 further persons working in other sector*


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<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
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EN ATTENTE DES CHIFFRES DU TABLEAU
Created in 1905
Legal personality under French law

29 countries (25 EU, Switzerland, Norway, Croatia and Turkey)

34 national member federations representing firms:
- of all sizes (from one person SMEs through to the large firms)
- of all building and civil engineering specialities
- practising all kinds of working methods (whether operating as general contractors or as sub-contractors)

Associate member:
EFFC European Federation of Foundation Contractors

Social Partner in the European Sectoral Social Dialogue of the Construction Industry together with FETBB-EFBWW-EFBH (European Federation of Building and Woodworkers)

The European founding member of CICA
(Confederation of International Contractors’ Associations)
www.cica.net

Associate member of CEN
(European Committee for Standardisation)
www.cen.eu

Member of ECCREDI
(European Council for Construction Research, Development and Innovation)
www.eccredi.org

Associate Member of the “Enterprise Europe Network”
of the European Commission
www.enterprise-europe-network.ec.europa.eu

Cooperation with EIC (European International Contractors) for activities beyond Europe’s borders
www.eicontractors.de

Participant in the ECF
(European Construction Forum)
www.ecf.be

Member of ESF
(European Services Forum)
www.esf.be

Partner of “BUILD UP”
(“The European Portal for Energy Efficiency in Buildings”)
www.buildup.eu

Partner in ChemXchange project – Creation of web-based database for SME users of chemicals in the construction sector
www.chemxchange.com
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<td>Liste der Experten</td>
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Es ist mir eine große Freude, Ihnen diese neue Ausgabe (Nr. 53) des statistischen Jahresberichts der FIEC vorzustellen. Gerne hätte ich, Ihnen bereits über den erneuten Aufschwung in unserem Sektor berichtet, aber wie Sie sich vorstellen können, ist die Lage weiterhin sehr komplex, auch auf kurz- und mittelfristige Sicht.

Die europäische Bauwirtschaft ist in der Tat wie fast alle Wirtschaftszweige von der 2008 ausgebrochenen Finanz- und Wirtschaftskrise betroffen. Bereits 2008 zeichnete sich ein leichter Rückgang (-0,4%) ab, der sich 2009 verstärkte (-7,5%).


Es ist erfreulich, dass unsere Botschaften allgemein Gehör gefunden haben, was in fast allen Mitgliedstaaten dazu geführt hat, dass die Segmente Tiefbau und öffentliche Nichtwohngebäude von Investitionen der öffentlichen Hand unterstützt wurden, während dem Sektor der Sanierung privater Wohngebäude - und insbesondere die Verbesserung der Energieeffizienz - zahlreiche steuerliche Vorteile zugute gekommen sind.

Umgekehrt sind es die Segmente des Wohnungsbau- und des privaten Nichtwohnungsbaus, die am härtesten von der Krise getroffen wurde, aufgrund des Gehörs der Unsicherheit bei Familien und Unternehmen.

Auch wenn wir heute sagen können, dass die verschiedenen Konjunkturprogramme es ermöglicht haben, die Auswirkungen der Krise auf unseren Sektor abzuschwächen, so sind die meisten dieser Programme allerdings nicht zufriedenstellend, da sie nur kurzfristige Lösungen von zu geringem Ausmaß anbieten, um eine wirksame und nachhaltige Belebung der Wirtschaft sicherzustellen zu können.

Wir müssen daher unserer Botschaft mit Nachdruck wiederholen: Investitionen in die Energieeffizienz von Gebäuden und nachhaltige Infrastrukturen entsprechen dem sozialen, wirtschaftlichen und ökologischen Bedarf unserer Gesellschaft. Eine C'est avec un grand plaisir que je vous présente cette nouvelle édition (n°53) du Rapport Statistique annuel de la FIEC. Jaurais cependant souhaité être déjà en mesure d’annoncer la reprise de l’activité dans notre secteur, mais la situation, vous vous en doutez, reste complexe, y compris à court et moyen terme.

En effet, comme presque tous les secteurs industriels, l’industrie européenne de la construction a été touchée par la crise économique et financière qui a éclaté à l’été 2008, amorçant dès 2008 un léger déclin (-0,4%), suivi par une plus importante contraction de l’activité en 2009 (-7,5%).

Face à cette situation, la FIEC a consacré son Congrès annuel 2009 (juin 2009, Madrid) à la thématique de la contribution de notre secteur à la relance économique. Ce fut l’occasion de faire passer trois messages clés aux décideurs européens et nationaux : les plans européens et nationaux de relance économique doivent être mis œuvre au plus vite et se concentrer sur deux mesures phares, à savoir l’amélioration énergétique des bâtiments pour générer des emplois à court terme et lutter contre le réchauffement climatique, et l’investissement dans les infrastructures pour une croissance soutenue sur le long terme.

Il est heureux de remarquer que nos messages ont été généralement pris en compte, avec pour conséquence dans presque tous les États Membres que les segments du génie civil et du non-résidentiel public ont été soutenus par l’investissement public, pendant que la réhabilitation – et notamment l’amélioration énergétique – des habitations privées a bénéficié de nombreux avantages fiscaux.

Inversement, ce sont les segments du résidentiel neuf et du non-résidentiel privé qui ont été les plus touchés par la crise, dû au climat d’incertitude dans lequel se sont trouvés les ménages et les entreprises.

Si nous constatons effectivement aujourd’hui que les différents plans de relance mis en place ont permis d’atténuer l’impact de la crise sur notre secteur d’activité, la majorité d’entre eux reste cependant insuffisante, ne proposant que des solutions de court terme et d’envergure insuffisante pour assurer une réelle reprise durable de l’activité économique.

Il nous faudra donc continuer à le marteler : investir dans l’efficacité énergétique des bâtiments et les infrastructures durables répond aux besoins sociaux, économiques et environnementaux de notre société. Une telle politique d’investissement doit être maintenue en dépit I am pleased to be able to present this new edition (no. 53) of FIEC’s annual Statistics Report. I would like to be in a position to announce a revival in the activity of our sector, but the situation, as I’m sure you are aware, remains challenging both in the short and medium term.

Indeed, as most industrial sectors the European construction industry has been affected by the economic and financial crisis which broke out in the summer of 2008, starting with a slight decline (-0,4%) followed by a more significant contraction in activity in 2009 (-7,5%).

Faced with this situation, FIEC devoted its 2009 annual conference (June 2009, Madrid) to the theme of our sector’s contribution to the economic recovery. This was the opportunity to pass on three key messages to European and national decision-makers: the European and national plans for economic recovery must be implemented as soon as possible and concentrate on two main measures, namely an improvement in energy efficiency in buildings to generate new jobs in the short term and to counter global warming, and investment in infrastructure for sustained growth in the long term.

It is pleasing to note that our messages were generally taken into account, as a result of which the civil engineering and public non-residential segments in almost all Member States have received public investment, while the renovation – and particularly the improvement in energy efficiency – of private residential buildings has been boosted by a number of tax benefits.

On the other hand, it is the new residential and private non-residential segments that have been most affected by the financial crisis and resulting economic slowdown, due to the climate of uncertainty in which households and businesses find themselves.

While we can state that the various recovery plans have led to a reduction in the impact of the crisis in our field of activity, it must also be said that most of the plans remain unsatisfactory, proposing only short-term solutions that are insufficient to ensure a real and sustained revival of economic activity.

We must therefore continue to hammer home the message: investing in the energy efficiency of buildings and sustainable infrastructure fulfills the social, economic and environmental needs of our society. Such an investment policy must be maintained, despite the economic risks, and carried out in partnership with the construction industry, which is ready to apply its expertise and innovation.
By way of a conclusion, I would like to thank all those in the FIEC Secretariat and our Member Federations who have helped in preparing this report.

By way of a conclusion, I would like to thank all those in the FIEC Secretariat and our Member Federations who have helped in preparing this report.
Die absoluten Zahlen, die sich auf das Gesamtvolumen der Bauwirtschaft beziehen, dienen nur der Information und sind vorläufiger Art. Diese Zahlen beruhen in den verschiedenen Ländern nicht notwendigerweise auf denselben Grundlagen.

Für die konsolidierten prozentualen Schwankungen bezüglich der EU haben wir eine Gewichtung der Daten der verschiedenen Länder anhand eines Koeffizienten vorgenommen, der auf der Grundlage des Anteils des BIP eines jeden Landes am BIP der Europäischen Union berechnet wird.

Diese Gewichtungsmethode spießelt nicht exakt das Gewicht der einzelnen Länder im gesamten Sektor wider, ermöglicht aber eine Reduzierung der aufgetretenen Unterschiede.

Für Frankreich wurde seit dem 1.1.2000 eine neue Methode für die „Tiefbau“ Daten angewendet. Diese Methode erweitert die Basisstichprobe und ermöglicht damit eine bessere Treffsicherheit.


Für die Darstellung von Zahlen und Beträgen wurde die Kurzform verwendet (€ 2,5 Milliarden statt € 2.500 Millionen). In den englischen Texten des Beitrages, werden gemäß der angelsächsischen Schreibweise, Dezimalstellen mit einem Punkt und Tausender mit einem Komma getrennt. Im EU Kapitel, wurde die Typologie der französischen und deutschen Versionen der nationalen Schreibweise angepasst.

Der Text und die Zahlen des Kapitels „Europäische Union“ beruhen auf den von den FIEC-Mitgliedsverbänden zur Verfügung gestellten nationalen Berichten.

Les chiffres en valeur absolue concernant le volume total de la construction ne sont donnés qu’à titre indicatif et provisoire. En effet, dans les différents pays ces chiffres ne reposent pas nécessairement sur les mêmes bases.

Pour les variations en % agrégées relatives à l’UE, nous avons procédé à une pondération des données des différents pays, en fonction d’un coefficient calculé sur la base de la part du PIB de chaque pays dans le PIB de l’Union européenne.

Cette méthode de pondération ne reflète pas exactement l’équilibre entre les différents pays dans l’ensemble du secteur, mais permet de diminuer les diversités rencontrées.

Pour la France, depuis le 1/1/2000, une nouvelle méthodologie a été utilisée pour les données concernant le “génie civil”. Cette méthodologie étend l’échantillon à partir duquel les données sont collectées et offre donc une plus grande précision.

En raison d’une récente révision statistique en Autriche, une nouvelle méthodologie a été appliquée à partir de l’année 2006, entraînant par conséquent un changement des valeurs présentées depuis cette année-là.

En Italie, l’Institut Italien de Statistiques (ISTAT) a lancé en 2004 une Nouvelle Enquête Continue sur la Main d’œuvre, conformément au règlement européen n° 577/98. La principale innovation de l’enquête réside dans la manière dont les informations sont collectées. Les entretiens sont répartis sur l’année de manière uniforme, tandis que l’étude précédente était liée à une semaine spécifique pour chaque trimestre.

En Roumanie, les changements dans les méthodes de classification et le choix d’une nouvelle année de référence (passée de 2000 à 2005) ne permettent pas de garantir une continuation dans les séries de données avant et après 2005.

La méthode d’échelle courte a été utilisée (ex. 2,5 milliards d’€ au lieu de 2.500 millions d’€) pour la présentation des chiffres et des montants. Dans les textes anglais du rapport, conformément à la pratique anglo-saxonne, les décimales sont indiquées par un point et les milliers sont séparés par une virgule. Dans le chapitre sur l’Union Européenne, la typologie des versions Française et Allemande a été adaptée en fonction des pratiques nationales.

Le texte et les données du chapitre Union Européenne ont été élaborés sur la base des rapports nationaux envoyés par les fédérations membres de la FIEC.

The absolute value figures concerning the total volume of construction are given for guidance only and are provisional. The reason for this is that in the various countries these figures are not necessarily calculated on the same basis.

For the aggregate percentage variations for the EU, we have weighted the data for the various countries according to their respective share in the GDP of the European Union.

While this weighting method does not exactly reflect the balance between the various countries in the sector as a whole, it makes it possible to reduce the differences encountered.

As concerns France, since 1/1/2000 a new methodology has been used for data concerning “civil engineering”. This extends the sample from which the data are collected and therefore provides better accuracy.

In Austria, a recent statistical revision has been applied from 2006, with a consequent change in the values presented.

In Italy, since 2004 the Italian Statistics Institute (ISTAT) has implemented the new Continuous Labour Force Survey in compliance with European regulation nr. 577/98. The principal novelty of the survey lies in the way the information is collected. Interviews are distributed uniformly over the year, whereas the previous survey related to one specific week in each quarter.

In Romania, the changes in classification methods and the choice of a new reference year (from 2000 to 2005) do not enable a continuation in the data series before and after 2005.

For the presentation of figures and amounts, the short scale method has been used (e.g. 2.5 billion €, instead of 2,500 million €). In keeping with practice used in most English speaking countries, decimals are indicated with a point and thousands are separated by a comma. In the EU chapter, the typology of the French and German versions is adapted according to the national practices.

The text and data contained within the European report have been drawn up on the basis of the national reports supplied by the FIEC Member Federations.
1. Allgemeiner Wirtschaftslage

Während sich die europäische Wirtschaft bis zum Ausbruch der Finanz- und Wirtschaftskrise im Sommer 2008 noch positiv entwickelte, stellte das Jahr 2009 einen Tiefpunkt dar. Laut den vorläufigen Prognosen der Europäischen Kommission und Eurostat vom Februar 2010 schrumpfte 2009 das BIP in der EU um 4,1 % und im Euroraum um 4,0 %. Bisher lautet die Prognose für das BIP-Wachstum 2010 unverändernd 0,7 % in der EU und im Euroraum. Der Aufschwung bleibt 2010 weitgehend gedämpft und wird erst gegen Jahresende etwas zunehmen.

Während die Verbraucherpreise im Sommer 2009 kurzzeitig ins Minus geraten waren legten sie danach wieder zu. Die Deflation über weite Teile des Jahres 2009 (insgesamt +1 %) ist hauptsächlich durch abnehmende Basiseffekte bei den Komponenten Energie und Lebensmittel sowie die zunehmende Konjunkturflaute zu erklären. Die prognostizierte schleppende Erholung und die starke anhaltende Konjunkturflaute dürften den Preisdruck durch etwas höhere Öl- und Rohstoffpreise sowie den gegen-

1. Aperçu économique général


L’inflation des prix à l’importation est redevenue positive dans la zone euro au cours de l’été 2009, suite à un fléchissement temporaire en zone négative pendant l’été. L’important processus de désinflation qui s’est opéré sur la majeure partie de l’année 2009 (+1 % dans l’ensemble) s’expliquait principalement par des effets de base à la baisse, liés à l’énergie et aux denrées alimentaires, et par

1. General economic overview

While in 2008, the European economy still performed well until the onset of the financial and economic crisis during the summer, 2009 saw a low point for the EU economy. According to interim forecasts drawn up in February 2010 by the European Commission and Eurostat, GDP contracted by 4.1 % in the EU and 4.0 % in the euro area in 2009. So far, the forecast for GDP growth in 2010 remains unchanged at 0.7 % in both the EU and the euro area. The upswing will remain muted for most of 2010, gaining some momentum only towards the end of the year.

Consumer price inflation turned positive again in the euro area during autumn 2009, following a temporary dip into negative territory over the summer. The strong disinflation process over most of 2009 (+1 % as a whole) was mainly explained by downward base effects from the energy and food components and by growing slack in the economy. The projected sluggish recovery and large degree of enduring slack in the economy are expected to offset price pressures from slightly higher
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(*) without: BG, EE, GR, HU, LT, LU, LV, MT, PL, RO, SK
Auch die öffentlichen Finanzen wurden während der weltweiten Finanzkrise durch den Ausbruch der Konjunktur Stabilisierung erreicht haben, und damit die erste spätäre Aufhöhung der Defizits auf knapp unter 7% des BIP erwartet. Zu Beginn des Jahres 2011 ist eine geringfügige Abschwächung des Defizits auf knapp unter 7% des BIP zu erwarten. Allerdings wird die Verschuldungsrate ihren Aufwärtstrend beibehalten.


After the deepest, longest and most widespread recession in history in 2009, the European economy found a turning point at the end of 2009. The situation has improved markedly in recent months due largely to unprecedented fiscal and monetary policy steps that have been taken by the EU and Member States. However, recent data provide mixed signals about the pace of the recovery. While financial markets are better than a year ago and a better-than-expected external environment could spur exports further, investment remains very weak, the labour market continues to deteriorate, and the situation remains highly uncertain and subject to downside risks.

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2011, lors de la reprise de l’activité et de la fin des mesures temporaires. Toutefois, le ratio d’endettement devrait poursuivre son ascension.

Après avoir connu la récession la plus profonde, la plus longue et ayant la plus large portée de son histoire, l’économie européenne est arrivée à un tournant à la fin de l’année 2009. En effet, on a assisté ces derniers mois à une amélioration marquée de la situation économique et des conditions financières, due en grande partie aux mesures fiscales et de politique monétaire sans précédent qui ont été adoptées par l’UE et les États membres. Toutefois, des données récentes ont montré des signaux mitigés concernant le rythme de la reprise. Tandis que les marchés financiers se portent mieux qu’il y a un an et qu’un meilleur environnement extérieur que prévu pourrait dynamiser davantage les exportations, le niveau d’investissement demeure très bas, le marché de l’emploi continue à se détériorer et la situation demeure très incertaine et confrontée à des risques de baisse.

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Die allgemeine negative Entwicklung der euro-
päischen Wirtschaft im Jahr 2009 hat den 
Bausektor erheblich negativ beeinflusst. Die 
gesamte Bauproduktion in der EU ist 2009 
um geschätzte 7,5 % gesunken (gegenüber 
-0,4 % im Jahr 2008), was einem Wert von 
ca. 1,200 Mrd. Euro entspricht.

Da die Bauproduktion der EU 2010 um 
weitere 3,7 % schrumpfen dürfte, weist die 
aktuelle Situation unverkennbar einen rück-
läufigen Trend gegenüber dem zyklischen 
Aufschwung Mitte der ersten Dekade auf. 
Trotz dieser wenig ermutigenden Zahlen hat 
die Bauproduktion der EU weiterhin erheblichen Anteil an 
der EU-Wirtschaft als Ganzes (9,9 % des BIP 
der EU im Jahr 2009).

Während 2008 die Auswirkungen der einset-
zungenden Krise auf die Volkswirtschaften zu 
unterschiedlichen Zeiten und mit wechselnder 
Intensität spürbar wurden – in einem Teil 
der Mitgliedsstaaten wuchs der Bausektor

Alors qu’une nouvelle contraction de la produc-
tion de l’activité globale de construction dans 
l’UE de l’ordre de 3,7% est prévue en 2010, 
la situation actuelle indique clairement une 
tendance inverse par rapport à la reprise cyclique 
du milieu des années 2000. Malgré ces chiffres 
décourageants, le secteur de la construction 
continue de représenter une part importante 
de l’économie générale de l’UE (9,9% du PIB 
global de l’UE en 2009).

Tandis qu’en 2008, l’impact de la crise nais-
sante a touché les économies nationales à 
des périodes différentes et avec une intensité 
variable – en divisant les États membres entre 

The overall negative development of the Euro-
pean economy in 2009 has had a significant 
impact on construction activities. Overall, 
total construction output in the EU is esti-
mated to have dropped by 7.5% in 2009 
(down from 0.4% in 2008), which represents 
about 1,200 billion €.

As the EU’s total construction output is fore-
cast to further contract by 3.7% in 2010, the 
current situation clearly shows a reverse trend 
from the cyclical upturn of the mid-2000s. In 
ispite of these gloomy figures, the construc-
tion sector continues to represent a significant 
share of the EU economy as a whole (9.9% of 
total EU GDP in 2009).

Whereas in 2008 the impact of the nascent 
crisis impacted at different times and with 
varying intensity on national economies – 
splitting Member States between those where 
the construction activity continued to grow 
and those where it had already decreased

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weiter, während er in anderen bereits einge- brochen war – melden inzwischen fast alle EU-Mitgliedstaaten einen Rückgang der Bautätigkeit für 2009. Die beiden Gruppen werden nun unterschieden in die Länder, in denen die Bauproduktion einen zweistelligen Einbruch hinnehmen musste, und die Länder, in denen der Rückgang im unteren einstelligen Bereich lag.

Zur ersten Gruppe zählen viele mittel- und osteuropäische Länder: zum Beispiel Bulgarien (-36,9 %), Rumänien (-14,2 %), Slowenien (-20,6 %) und die baltischen Staaten – Estland mit -30,5 % und Lettland mit -46,1 %. Nahe am Baltikum verzeichnete auch Finnland einen erheblichen Rückgang (-12,3 %). Diese Gruppe umfasst ebenfalls drei westeuropäische Länder, die bereits seit 2007 eine deutliche Krise ihres Immobilienmarktes erlebten, nämlich das Vereinigte Königreich (-14,2 %), Irland (-23,5 %) und Spanien (-11,4 %).

Die meisten westeuropäischen Länder gehören zur zweiten Gruppe, deren Volks-
ceux où l’activité de construction a continué de croître et ceux où elle avait déjà décliné – un déclin de l’activité de construction est désormais signalé pour 2009 dans la vaste majorité des États membres de l’UE. Les deux groupes se distinguent désormais entre les pays où la production de la construction a connu une baisse à deux chiffres et ceux où elle a subi une baisse à un chiffre seulement.

Le premier groupe comprend un grand nombre de pays d’Europe centrale et orientale : par exemple la Bulgarie (-36,9 %), la Roumanie (-14,2 %), la Slovénie (-20,6 %) et les pays baltes – l’Estonie avec -30,5 % et la Lituanie avec -46,1 %. A proximité de la région balte, la Finlande a également connu un déclin significatif (-12,3 %). Dans le même groupe, nous retrouvons les trois pays d’Europe occidentale qui ont connu – déjà depuis 2007 – une importante crise de leur marché immobilier, à savoir le Royaume-Uni (-14,2 %), l’Irlande (-23,5 %) et l’Espagne (-11,4 %).

Une majorité des pays d’Europe occidentale font partie du second groupe. En effet, leurs écono-

In the first group, many central and eastern European countries can be found: for instance Bulgaria (-36.9%), Romania (-14.2%), Slovenia (-20.6%) and the Baltic states – Estonia with -30.5% and Lithuania with -46.1%. Close to the Baltic region, Finland also experienced a significant decline (-12.3%). Also belonging to this group are the three western European countries who experienced – already since 2007 – a major crisis of their real estate market, namely the United Kingdom (-14.2%), Ireland (-23.5%) and Spain (-11.4%).

A majority of western European countries belong to the second group, the economies of which have held up rather better given the circumstances: for instance Austria (-3.3%), Belgium (-2.2%), France (-6.8%), Italy (-9.4%),
wirtschaften den Umständen entsprechend besser davongekommen sind, wie z. B. Österreich (-3,3 %), Belgien (-2,2 %), Frankreich (-6,8 %), Italien (-9,4 %), die Niederlande (-4,8 %), Portugal (-9,0 %) und Schweden (-6,6 %). Unter den westeuropäischen Ländern verzeichnete Dänemark einen etwas stärkeren Einbruch als die anderen (-10,1 %) während unter den neuen Mitgliedstaaten die Tschechische Republik und Ungarn den Rückgang im Bausektor teilweise auffangen konnten und Produktionen von -3,2 % bzw. -4,3 % erreichten.

Von den übrigen Ländern können zwei speziell hervorgehoben werden. In Deutschland blieb die Bauproduktion nahezu unverändert (-0,8 %). Dieses Ergebnis war noch besser als prognostiziert und der Anteil der Bauwirtschaft am BIP wuchs sogar etwas (auf 10,2 %). Polen war 2009 sicher das Land mit dem stärksten Wachstum der Bautätigkeit. Mit einem Produktionszuwachs von ca. 4-5 % verzeichnete der Bausektor innerhalb der polnischen Volkswirtschaft die schnellste Entwicklung. Dies ist vor allem auf den

mies ont mieux tenu le coup étant donné les circonstances : par exemple l’Autriche (-3,3 %), la Belgique (-2,2 %), la France (-6,8 %), l’Italie (-9,4 %), les Pays-Bas (-4,8 %), le Portugal (-9 %) et la Suède (-6,6 %). Parmi les pays d’Europe occidentale, le Danemark a enregistré une baisse légèrement plus importante que les autres (-10,1 %), tandis que parmi les nouveaux États membres, la République Tchèque et la Hongrie sont parvenues à absorber en partie le déclin de l’activité de construction, avec des résultats respectifs de -3,2 % et -4,3 %.

Pour le reste, deux pays en particulier peuvent être mis en évidence. En Allemagne, la production de l’activité globale de construction est restée à peu près stable (0,8 %). La production fut même meilleure que les prévisions précédentes et la part de la construction dans le PIB global a même augmenté (jusqu’à 10,2 %). En 2009, la Pologne a certainement atteint le pays ayant enregistré la hausse la plus marquée de son activité de construction. Ainsi, avec une croissance des résultats de l’ordre de 4 à 5 %, la construction représentait le secteur accusant le développement le plus rapide de l’économie

For the rest, two specific countries can be highlighted. In Germany, overall construction output almost remained flat (-0,8 %). This outcome was even better than previously forecast and the share of construction in total GDP even grew further (up to 10,2 %). In 2009, Poland was certainly the country experiencing the most successful growth of its construction activity. With an output growth around 4-5%, construction has been the fastest developing sector in the Polish economy. This is namely due to the strong demand in infrastructure generated by the organisation of the European Football Championship in 2012.
Es ist interessant, festzustellen, dass die Situation für diese beiden Gruppen im Vergleich zum Jahr 2008 gegenüber war. Während im letzten Jahr die mittel- und osteuropäischen EU-Länder generell weniger betroffen waren als die westlicheren, erwiesen sich die Volkswirtschaften der OECD 2009 volatiler als ihre westlichen Nachbarn.

Während die Krise den Bausektor in einigen EU-Mitgliedstaaten stärker erschütterte als in anderen, wurden in den Teilsektoren des Baugewerbes der meisten EU-Länder im Wesentlichen dieselben Trends und Mechanismen wirksam.


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Verbrauchervertrauen auf breiterer Ebene wirkten sich auf den Bausektor besonders kritisch aus. Die Situation verschärfte sich durch den außergewöhnlich kalten Winter. • Das Schrumpfen der Bautätigkeit konzentrierte sich weitgehend auf den Teilsектор Hochbau, insbesondere auf die Segmente Neubauten (-15.6 %) und den privaten Nichtwohnbau (-10.8 %). Der Erstgenannte litt seit Ende 2008 stark unter der schwachen Investitionstätigkeit im Wohnungsbau, was auf das gesunkene Vertrauen der Bauherren in die Märkte zurückzuführen ist, während Letzterer einen erheblichen Einbruch bei Geschäftsgebäuden und Investitionen verzeichnete.

• Dagegen zeichnete sich der Produktionsindex für Tiefbau durch einen relativ geringen Rückgang aus ("nur" -2.8 %) und der öffentliche Nichtwohnbau wuchs 2009 sogar um 1.1 %. Er war bemerkenswerterweise das einzige Segment, das im letzten Jahr noch ein Wachstum erzielte. Dies beruht auf staatlichen Entscheidungen zur Erhaltung, Förderung oder sogar Erhöhung von Ausgaben bei öffentlichen Gebäuden.

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- •  Der Bauhaupt- und -unterhaltungsaufwand stieg in den meisten Ländern. Der Rest der Weltwirtschaft erlebte einen Rückgang. Die Situation verbesserte sich jedoch in einigen Ländern, insbesondere in den USA und Japan.
- •  In Deutschland war der Bauhauptaufwand um 7,5 % gestiegen, während der Unterhaltungsaufwand um 2,0 % gestiegen war. Die Verwaltung und Betreuung von Bauwerken zeigte einen leichteren Anstieg. Die Infrastruktur auf öffentlicher Ebene nahm zu, während der private Bereich einen Rückgang zeigte.
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(Krankenhäusern, Schulen und Verwaltungsgebäuden) sowie Infrastrukturprojekten (vor allem Autobahnen und Eisenbahnen).

- Renovierungs- und Unterhaltungstätigkeiten (R&M), die in den meisten EU-Ländern mit dem Ziel der besseren Energieeffizienz in Gebäuden steuerlich gefördert wurden, waren ebenfalls nur geringfügig rückläufig (-4,1 %) und blieben für das dritte Jahr in Folge die einzige treibende Kraft für den Wohnungsbau.

- Vor diesem Hintergrund wird nun eine interne Verschiebung der Bautätigkeit zwischen den verschiedenen Segmenten erwartet, insbesondere im Hinblick auf Energiesparmaßnahmen.

- Der Abschwung im Bausektor schlug sich zwangsläufig auf die Beschäftigungszahlen nieder. 2009 sank der EU-Beschäftigungsindex für das Bauwesen deutlich (-8,3 %), für 2010 wird ein weiterer Rückgang erwartet.

Während kein Zweifel daran besteht, dass die Auswirkungen von Konjunkturpaketen der EU und der Mitgliedstaaten den Rückgang etwas von energy efficiency in buildings, recorded a relatively small decrease as well (-4.1 %) and remained the only engine of the house-building segment for the third consecutive year.

- Against this backdrop, an internal shift of construction activity between the various segments is now expected – in particular towards energy efficiency works.

- The downturn in construction activity has inevitably had an impact on the number of persons employed. In 2009, the EU employment index for construction fell sharply (-8.3%), while a further decrease is expected in 2010.

Although it is clear that the impact of the EU and national economic stimulus packages has softened the blow to some degree, most of the recovery and stimulus programmes adopted in Europe have been insufficient in respect of their content and their scale, as well as their objectives. They often only provided short term solutions and have partially failed in their contribution to the recovery of the EU’s economy, whilst what is needed is investment.

**Nichtwohnbaubau**

Reale Veränderungsraten im Vergleich zum Vorjahr in Prozent

**Non résidentiel**

Variations Volume de la production en % sur l’année précédente

**Non residential**

Per cent variation of production in real terms on previous year

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abgedeckt haben, erwiesen sich die meisten in Europa umgesetzten Erholungs- und Konjunkturprogramme in Inhalt, Umfang und Zielen als unzureichend. Sie boten häufig nur kurzfristige Lösungen und haben z.T. als Beitrag zur Erholung der EU-Wirtschaft versagt, während tatsächlich Investmenten benötigt werden, die eine langfristige, nachhaltige Entwicklung gewährleisten können. Im Ausblick dürfte der Trend unverändert bleiben, während sich jedoch der Rückgang in den verschiedenen Segmenten des Bausektors abschwächt, oder - beim Tiefbau - die Konjunktur sogar langsam wieder anzieht (+0,4 %). Insgesamt wird für die gesamte Bauleistung 2010 ein Rückgang um 3,7 % prognostiziert.

Alors qu’il est évident que l’impact des stimulants économiques européens et nationaux a permis d’amortir le choc dans une certaine mesure, la plupart des programmes de relance et d’incitation adoptés en Europe se sont avérés insuffisants au niveau de leur contenu et de leur portée, ainsi qu’au niveau de leurs objectifs. En effet, ils ont souvent apporté des solutions à court terme et ils n’ont pu que partiellement contribuer à la reprise de l’économie de l’UE, alors que des investissements pouvant garantir un développement durable à long terme sont nécessaires. A l’avenir, la tendance devrait demeurer inchangée, et les divers segments de la construction devraient cependant décliner à un rythme plus lent – voire même se redresser lentement en ce qui concerne le segment du génie civil (+0,4 %). Dans l’ensemble, il est prévu que la production de l’activité globale de construction chute de 3,7 % en 2010.

**Table: Variations Volume de la production en % sur l’année précédente**

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**Table: Per cent variation of production in real terms on previous year**

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### 3. Wohnungsbau


### 3. Bâtiment résidentiel

La construction de nouveaux logements a connu un important déclin depuis 2007 (respectivement -4% en 2007, -10,1% en 2008, -15,6% en 2009 et une prévision de -8.3% en 2010). Depuis mi-2008, cette tendance est principalement due à la dégradation de l’accès des investisseurs privés au crédit, ainsi qu’à une chute marquée de la demande des ménages en raison de leur manque de confiance dans les perspectives de marché futurs.

La tendance de demande à la baisse s’illustre généralement par le nombre de permis de bâtir ou de mises en chantier et de logements achevés. La Belgique a enregistré une chute de 15% des mises en chantier en 2009, bien que la réduction de la TVA pour la construction de nouveaux logements ait eu un impact positif. Le Danemark a connu une chute constante et soutenue du nombre de mises en chantier de logements depuis 2006, tandis que la Suède a enregistré 16 000 mises en chantier en 2009.

### 3. Housebuilding

New residential construction has been following a clear downward trend since 2007 (respectively -4.0% in 2007, -10.1% in 2008, -15.6% in 2009 and -8.3% expected in 2010). Since mid-2008, this trend has mainly been due to the deterioration in private investors’ access to credit, as well as a sharp fall in households’ demand because of their lack of confidence in future market prospects.

The downward demand trend is generally reflected in the number of construction permits or construction starts and completions. Belgium reports a 15% drop of construction starts in 2009 although the VAT reduction for the construction of new dwellings has had a positive impact. Denmark reports a continuous and sustained fall in the number of starts of dwellings since 2006 while Sweden recorded 16,000 starts in 2009 which is the lowest level of the entire decade. In Italy (−19.0%), the Piano Casa 2 (House Plan 2), which grants households the option of increasing the volume...
während Schweden 2009 mit 16.000 Baubeginnen den niedrigsten Wert im gesamten Jahrzehnt erreichte. In Italien (-19,0 %) brachte der Piano Casa 2 (Hausplan 2), der den Haushalten die Möglichkeit zur Erweiterung ihres bestehenden Heims bietet, bisher nicht die erwarteten Ergebnisse. Wesentliche Auswirkungen auf die Produktion werden erst mittelfristig erwartet (2012-2013).


En 2009 à nouveau, d’importantes diminutions du nombre de mises en chantier ont été enregistrées au Royaume-Uni (seulement 80 000 mises en chantier, soit un niveau jamais vu depuis 1924), en Irlande (10 000 mises en chantier seulement prévues en 2010 – comparé à 88 000 au cours de l’année record 2006) et en Espagne. A cela vient s’ajouter le stock de plus en plus important de logements terminés invendus. De même, Chypre et la Finlande ont annoncé un surplus en termes de logements terminés invendus. La Finlande a enregistré un niveau record de logements terminés invendus, avec 4 000 unités.

En 2009, la Hongrie a subi sa plus importante chute au niveau du nombre de permis délivrés de leurs existants, mais n’a pas encore atteint les résultats attendus. Aucun impact significatif sur les niveaux de production n’est prévu avant 2012-2013.


2009 erlebte Ungarn den schärfsten Rückgang bei den erteilten Baugenehmigungen innerhalb der letzten 11 Jahre. Allerdings könnte der Bau von Mietwohnungen in einem Land, in dem die Bevölkerung traditionell in Eigenheimen wohnt, an Beliebtheit zunehmen. Rumänien, Polen, Portugal und Bulgarien verzeichneten ebenfalls starke Einbrüche bei den ausgestellten Baugenehmigungen, d. h. -21,2 %, -22,3 % bzw. -45 % und einen weiteren zweistelligen Rückgang für Bulgarien.

Die führenden Angebots-Indikatoren lassen nach wie vor schlechte Aussichten für 2010 erwarten. Während die Baugenehmigungen z. B. im dritten Quartal 2009 wieder anzogen, lagen sie noch immer um 17 % unter den Vorjahreswerten.

Ein eher positiv zu bewertendes Signal sind eine der Anträge auf Wohnungsbau darin, die in den letzten Monaten zugelegt haben, und andererseits der Umstand, dass die niedrige Inflation das verfügbare Realeinkommen und die Konsumausgaben stützt.

Leading supply indicators also continue to depict weak outlook for 2010. For instance, while building permits started to recover in the third quarter of 2009, they were still down by almost 17% on a year earlier.

A more positive sign however is that demand for home loans has turned positive in recent months, and low inflation is supporting real disposable income and consumer spending. Demographic pressure in some EU countries (e.g. the Netherlands, Sweden, as well as Spain due to renewed foreign demand), due to the decline in new completion and the still growing number of households, is also expected to slowly lead this segment back to normal output levels, with a parallel return to “normal” house prices.
4. Nichtwohnbau

Während das Segment des Nichtwohnbaus 2008 ein wichtiger Wachstumsmotor für die Bautätigkeit blieb (+2,6 %), verzeichnete er 2009 einen Rückgang um 7,9 %, der vor allem auf dem starken Absinken im privaten Sektor beruhte (-10,8 %). Der öffentliche Hochbau dagegen stieg um 1,1 % und war damit der einzige Teilsektor des Baugeberges, der 2009 zulegte.

GESAMTBESCHÄFTIGUNG(*)
Veränderungsrate im Vergleich zum Vorjahr in Prozent

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(* NACE Rev. 2 Section F)

TOTAL EMPLOYMENT(*)
Per cent variation on previous year

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4. Bâtiment non-résidentiel

Tandis que le segment non résidentiel représentait encore le moteur principal du développement de l’activité de construction en 2008 (+2,6 %), il a enregistré un déclin de l’ordre de 7,9 % en 2009, principalement en raison de la chute marquée de sa composante privée (-10,8 %). Par contre, la composante publique a connu une hausse de 1,1 %, ce qui fait d’elle le seul sous-secteur de la construction en hausse en 2009.

4. Non-residential buildings

Whereas the non-residential segment still remained a major engine of construction activity growth in 2008 (+2.6%), it experienced a decline of 7.9% in 2009, mainly due to the sharp fall of its private component (-10.8%). By contrast, the public component experienced a 1.1% growth, in that sense making it the only growing construction subsector in 2009.
Diese Situation ist hauptsächlich auf die Auswirkungen der Krise zurückzuführen, die einerseits den Bedarf an Büroflächen deutlich schrumpfen ließ und den Zugang zu Krediten für private Investoren erschwerte, was zur Verschiebung oder Stornierung zahlreicher Projekte führte, und andererseits auf öffentliche Investitionsprogramme in Krankenhäusern, Schulen und Verwaltungsgebäuden, die häufig auf deren Renovierung und Unterhal tung abgestellt waren.


En ce qui concerne la situation spécifique de certains États membres, la Slovénie a subi un déclin de l’activité dans les branches privées et publiques en raison de la faiblesse de ses finances publiques, ainsi elle dépend désormais principalement des fonds européens. Malgré le ralentissement de l’activité non résidentielle et en raison des besoins considérables dans ce secteur, la construction de bâtiments commerciaux et d’hypermarchés s’est poursuivie à un rythme soutenu en Bulgarie. Le Royaume-Uni a enregistré une croissance de 11,5% de sa branche non résidentielle financée par le gouvernement en 2009 um 11,5 % zu: die Gründe dafür waren vorgezogene Ausgaben, die Vorbereitung der

Regarding the specific situation of some Member States, Slovenia experienced a decline of activity in both private and public branches due to the weakness of its public finances and now relies mostly on European funds. Despite the slowdown in non-residential activity and due to huge needs in this area, the construction of commercial buildings and hypermarkets continued at a sustained pace in Bulgaria. The United Kingdom experienced 11.5% growth of the publicly funded non-residential branch in 2009: this was due to forward spending, the preparation of the 2012 Olympic Games and the schools building programme. However, very pessi-

**ABHÄNGIG BESCHÄFTIGTE**

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(*) NACE Rev. 2 Section F

This state of affairs is mainly due to the impact of the crisis, with on the one hand a significant reduction in demand for office space and difficult access to credit for private investors, which has led to the postponement or cancellation of many projects, and on the other hand public investment programmes in hospitals, schools, and administrative buildings, often targeted to their rehabilitation and maintenance.
In Schweden, Deutschland, Frankreich und Österreich spielten Konjunkturpakete eine wichtige Rolle, da sie die lokalen Behörden zur Investition in öffentliche Gebäude veranlassten, insbesondere durch Programme für Renovierung und Unterhaltung. Diese öffentlichen Programme konnten aber kaum den Rückgang bei privaten Investitionen ausgleichen; eine weitere Schrumpfung des Nichtwohnsektors wird für 2010 (-2,2 %) und 2011 erwartet, da Subventionen zur Konjunkturankurbelung die Wirtschaft und Unterhaltung. Diese öffentlichen Einrichtungen in öffentliche Gebäude repräsentiert 5% des PIB in 2010 und das aktuelle Anstieg der Investitionen dürfte erneut ausländische Investoren anziehen.

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Alles in allem wird der Nichtwohnbau mit einiger Wahrscheinlichkeit 2010 einen kleineren Rückgang hinnehmen müssen (-5,6 %), der erneut weitgehend durch öffentlich finanzierte Bauprojekte gestützt wird (+1,5 %), die aber nicht in der Lage sein werden, die Schwäche des private Nichtwohnbaus auszugleichen (-7,4 %).

5. Tiefbau

Mit einem Rückgang von nur 2,8 % im Jahr 2009 rangiert der Tiefbau nach dem Segment Öffentlicher Nichtwohnbau nach wie vor an zweiter Stelle. Wenn auch diese Schätzung nicht so gut ausfällt wie im letzten Jahr vorhergesagt, als noch ein Wachstum prognostiziert wurde, stellt der Tiefbau doch einen wachsenden Anteil an der Bauwirtschaft (von 21 % im Jahr 2008 auf 22 % im Jahr 2009). Dieser l’investissement privé ne devrait pas encore se rétablir.

Dans l’ensemble, la construction de bâtiments non résidentiels est susceptible de connaître une baisse plus réduite en 2010 (-5,6 %), qui sera à nouveau principalement supportée par des projets de construction financés par le gouvernement (+1,5 %), mais elle ne devrait toutefois pas être en mesure de compenser la faiblesse de l’investissement privé dans ce sous-secteur (-7,4 %).

5. Génie civil

Grâce à une diminution de seulement 2,8 % en 2009, le génie civil reste le second secteur le plus performant après le secteur non résidentiel public. Même si cette estimation n’est pas aussi bonne que prévue lors des estimations de l’année dernière, qui prévoyaient encore une croissance positive, les résultats du génie civil représentent une part croissante des activités de construction (de 21% en 2008 à 22% en 2009). Cette part augmente

5. Civil engineering

With a decrease of only 2.8% in 2009, civil engineering remains the second best performing segment after the public non-residential segment. Even if this estimate is not as good as expected in last year’s forecast, where positive growth was still predicted, civil engineering output represents an increasing share in construction activities (from 21% in 2008 to 22% in 2009). This share even amounts...
Anteil beträgt in der Tschechischen Republik sogar 42,5 % und in Polen 50 %. Ähnlich dem Sektor Nichtwohnbau konnte der Tiefbau in den meisten EU-Ländern von erheblichen öffentlichen Investitionsprogrammen profitieren. In manchen Mitgliedstaaten konnten steigende öffentliche Investitionen die Auswirkungen der Krise und den Rückgang privater Investitionen aufvangen. Dies ist der Fall in Österreich (+1,5 %), Zypern (+13,2 %), wo große staatliche Infrastrukturprojekte an Beliebtheit gewinnen; Spanien (+2,5 %), wo für lokale Behörden bestimmte, 8 Mrd. Euro umfassende Staatsfonds offensichtlich einen positiven Effekt hatte; Portugal (+5 %), in dem Genehmigungen für Straßenbaumaßnahmen und andere öffentlich-private Partnerschaftsprojekte im Bereich Infrastruktur für einen Wachstumschub sorgen; Schweden (+9,4 %), wo im Gegensatz zu den anderen Ländern Infrastrukturprojekte sowohl durch öffentliche (Verkehrinfrastruktur) als auch private (Windkraft, Wasser und Klärprojekte) Investitionen finanziert wurden; und Polen, das für verschiedenste Projekte erheblich von EU-Mitteln profitierte.

zu 22 % in 2009). Diese partei angeltehmen die 42,5 % der production de l'activité globale von der de construction in République Tchèque, und die 50 % in Pologne.

De la même manière que pour le secteur non résidentiel, le génie civil a, dans la plupart des pays de l’UE, bénéficié de programmes d’investissement public de grande ampleur. Dans certains États membres, la hausse de l’investissement public a réussi à compenser l’impact de la crise et du recul de l’investissement privé. Tel est le cas de l’Autriche (+1,5 %), de Chypre (+13,2 %), où des projets d’infrastructures gouvernementales à grande échelle deviennent de plus en plus courants, de l’Espagne (+2,5 %), où le fonds gouvernemental de 8 milliards d’euros alloué aux pouvoirs locaux semble avoir eu un effet positif, du Portugal (+5 %), qui a connu un dynamisme élevé en matière de concessions routières et d’autres projets de PPP en matière d’infrastructure, de la Suède (+9,4 %), où contrairement aux autres pays, les projets d’infrastructure ont été soutenus à la fois par des investissements publics (infrastructure de transport) et privés à 42,5 % de total construction output in the Czech Republic, and to 50% in Poland.

In a similar fashion to the non-residential segment, civil engineering has, in most EU countries, benefited from significant public investment programmes. In some Member States, the increase in public investment has managed to compensate the impact of the crisis and the drawback in private investment. This is the case in Austria (+1.5 %); Cyprus (+13.2 %), where large-scale government infrastructure projects are becoming increasingly popular; Spain (+2.5 %), where the 8 billion € governmental fund to local authorities seems to have had a positive effect; Portugal (+5.0 %), which experienced great dynamism in road concessions and other infrastructure PPP projects; Sweden (+9.4 %), where — in contrast to the other countries — infrastructure projects were sustained by both public (transport infrastructure) and private (wind power, water and purification plans) investment; and Poland, which has benefitted from a significant amount of EU funds for many types of projects.

EUROPEAN UNION
UNION EUROPÉENNE
EUROPÉISCHE UNION
In vielen anderen Ländern erreichten die öffentlichen Investitionen knapp das Niveau von 2008 - z. B. in Belgien (+0,9 %), der Tschechischen Republik (+0,3 %), Deutschland (-0,9 %) oder den Niederlanden (+0,4 %).

In einer dritten Gruppe von Ländern konnten die unternommenen Anstrengungen die negativen Auswirkungen der Krise nicht ausgleichen. Dies war insbesondere der Fall in Frankreich (-6,3 %), Estland (-15,7 %), Litauen (-38,1 %), Dänemark (-1,3 %), Finnland (-2,0 %), wo größere Projekte im Bereich Verkehrsinfrastruktur noch in Vorbereitung sind und erst im Jahr 2010 einen positiven Effekt zeigen dürften; Italien (-8,1 %), wo das 11 Mrd. Euro umfassende staatliche Konjunkturprogramm wegen seiner außerordentlich langsamen Umsetzung bisher wenig Erfolg zeigte und die für neue Infrastrukturprojekte verfügbaren Mittel im Haushalt 2010 sogar um 7,8 % gekürzt wurden; Rumänien (-15,3 %), wo das staatliche "Anti-Krisen"-Programm nie angewendet wurde; und Bulgarien (-20,6 %), das Schwierigkeiten mit der Umsetzung von EU-Mitteln hatte.

Dans bon nombre d’autres pays, l’investissement public a été juste suffisant pour égaliser approximativement les résultats de 2008, comme par exemple la Belgique (+0,9 %), la République Tchèque (+0,3 %), l’Allemagne (-0,9 %) ou les Pays-Bas (+0,4 %).

Dans un troisième groupe de pays, les efforts consentis n’ont pas encore permis de contrebalancer les effets négatifs de la crise. C’est notamment le cas de la France (-6,3 %), de l’Estonie (-15,7 %), de la Lituanie (-38,1 %), du Danemark (-1,3 %), de la Finlande (-2 %), où d’importants projets en matière d’infrastructures de transport sont toujours planifiés et ne devraient avoir un effet positif qu’en 2010, de l’Italie (-8,1 %), où le plan de reprise du gouvernement, s’élevant à 11 milliards d’euros, n’a eu qu’un effet réduit en raison de la lenteur de sa mise en œuvre et où une nouvelle réduction de l’ordre de 7,8 % est envisagée.

### VOLUME OF TURNOVER 2008

*(in Mln. €)*

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1) Afghanistan, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates and Yemen (North and South).

Insgesamt wird erwartet, dass sich der Tiefbau stabilisiert (+0,4 %) und mittelfristig der zweite große Wachstumsmotor für den Bausektor bleibt.

mème envisagée au niveau des ressources allouées à la construction de nouvelles infrastructures dans le budget 2010, de la Roumanie (-15,3 %), où le programme « anticrise » du gouvernement n’a même jamais été appliqué, et de la Bulgarie (-20,6 %), qui a rencontré des difficultés au niveau de l’absorption des fonds européens.

Dans l’ensemble, il est prévu que le segment du génie civil se stabilise en 2010 (+0,4 %) et reste le second moteur principal de la croissance du secteur de la construction à moyen terme.

**6. Renovierung und Unterhaltung**


Diese Maßnahmen waren in Österreich (+2,7 %), Belgien (+2,1 %), Zypern (+4,9 %), Schweden (+2,3 %), Slowenien (+3,9 %) und Litauen (+24,2 %) besonders erfolgreich. Trotz dieser optimistischeren Situation konnten die Renovierungs- und Unterhaltungsmaßnahmen den Rückgang der Investitionen im Bereich Neubauten nicht ausgleichen.

**6. Réhabilitation et maintenance**

En 2009, les activités de R&M dans le secteur des constructions résidentielles ont enregistré une chute de la production de l’ordre de 4,1 %. Une nouvelle réduction plus réduite de l’ordre de 1,5 % est prévue en 2010.

Malgré ce résultat plutôt décevant, il convient toutefois de mentionner que l’activité de R&M représente une part croissante de la production de l’activité globale de construction (de 28 % en 2008 à 29 % en 2009). Il s’agit principalement d’une conséquence de la crise : les ménages ont déplacé leur investissement des nouvelles constructions résidentielles vers la réhabilitation et la maintenance de bâtiments résidentiels. La plupart des gouvernements a également mis en place des mesures d’incitation (par exemple la réduction de la TVA ou des prêts éco à taux zéro) en faveur de l’efficacité énergétique au sein des foyers et bon nombre d’entre eux ont également implanté des programmes de R&M pour les bâtiments publics.

Ces mesures ont été particulièrement fructueuses en Autriche (+2,7 %), en Belgique (+2,1 %), à Chypre (+4,9 %), en Suède (+2,3 %), en Slovénie (+3,9 %) et en Lituanie (+24,2 %).

Toutefois, malgré cette situation plus optimiste, les activités de R&M n’ont pas été en mesure de compenser la réduction des investissements dans le secteur des nouvelles constructions résidentielles.

**6. Rehabilitation and maintenance**

In 2009, R&M activities in the housebuilding segment experienced a 4.1% drop in output. A further smaller drop of 1.5% is forecast in 2010.

Despite this rather disappointing result, it is however worth mentioning that R&M represents a growing share of total construction output (from 28% in 2008 to 29% in 2009). This is mainly the consequence of the crisis: households have shifted their investment from new housebuilding to rehabilitation and maintenance of dwellings. Most governments have also put in place fiscal incentive measures (e.g. VAT reduction or “zero rate eco-loans”) in favour of energy efficiency in private dwellings and many of them have also implemented R&M programmes for public buildings.

These measures have been particularly successful in Austria (+2.7%), Belgium (+2.1%), Cyprus (+4.9%), Sweden (+2.3%), Slovenia (+3.9%) and Lithuania (+24.2%).

Despite this more optimistic situation, R&M activities have not however been able to compensate the decrease of investment in the new housebuilding segment.

2009 lag das Beschäftigungsniveau in der Bauwirtschaft in der EU bei rund 14,5 Millionen Personen, was im Vergleich zu 2008 einen Rückgang um 8,3 % darstellt. Ein weiterer Beschäftigungsrückgang im Bausektor wird für 2010 erwartet.

En 2009, le niveau d’emploi du secteur de la construction européen est estimé à environ 14,5 millions de travailleurs, ce qui représente une diminution de 8,3 % par rapport à 2008. Il est prévu que l’emploi dans la construction dimine à nouveau en 2010.

En 2009, les employés de l’emploi dans le secteur de la construction en Europe était estimé à environ 14,5 millions de travailleurs, ce qui représente une diminution de 8,3 % par rapport à 2008. Il est prévu que l’emploi dans la construction dimine à nouveau en 2010.

In 2009, the level of employment in overall EU construction activity is estimated to have amounted to around 14.5 million workers, which represents a decrease of 8.3% compared to 2008. Employment in construction is expected to further decline in 2010.

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Stark rückläufige Zahlen verzeichnen insbesondere die baltischen Staaten (z. B. Litauen: -21,8 %) sowie Dänemark (-13,1 %), für das im Zeitraum 2007 bis 2011 ein Rückgang um 25 % prognostiziert wird, und überraschenderweise Ungarn (-19,1 %), wo Bauarbeiter weiterhin die niedrigsten bezahlten Beschäftigten der gesamten Wirtschaft sind.

Dem Trend von 2008 folgend und aufgrund der außerordentlich negativen Entwicklung in diesen Ländern waren die Beschäftigungszahlen im Jahr 2009 in Spanien, Irland und dem Vereinigten Königreich prozentual mit -24,0 %, -26,1 % und -12,2 % weiterhin stark rückläufig. In diesen Ländern erwartet die Bauwirtschaft nur eine sehr langsame Erholung.

Auch Frankreich (-2,0 %) verzeichnet im Jahr 2009 einen Rückgang um ca. 50.000 Beschäftigte allein im Bausektor, wobei hier für 2010 ein weiterer Abbau von 30.000 Stellen erwartet wird. Portugal verlor 49.000 Arbeitsplätze (-8,8 %) im Jahr 2009. In Italien (-3,4 % für 2009) waren nichtselbständig Beschäftigte im Bausektor stärker von der Entwicklung betroffen als Selbständige.

Dagegen blieb in einigen Mitgliedsstaaten die Anzahl der Arbeitskräfte relativ stabil oder nahm sogar gegenüber 2008 leicht zu. Dies war in den Niederlanden (-1,9 %), Österreich (-1,1 %), Belgien (-0,8 %), Deutschland (+0,3 %) und Polen (+3,6 %) der Fall. In diesen Ländern griffen Arbeitgeber aufgrund der Schwierigkeit, in diesem Sektor qualifizierte Arbeitskräfte zu finden, tendenziell eher auf vorübergehende Unterbeschäftigung als auf Entlassungen zurück. In den Niederlanden stellte die Regierung z. B. über einen Zeitraum von zwei Jahren 64 Mrd. Euro zur Verfügung, um Entlassungen qualifizierter Arbeitnehmer zu verhindern, die in naher Zukunft wieder gebraucht werden. Andere solche Maßnahmen waren die Weiterbeschäftigung junger Menschen im Bausektor, Ausbildung für Erwachsene und Maßnahmen zur vorübergehenden Arbeitslosigkeit.


D’importantes diminutions ont été constatées dans les pays baltes (ex. Lituanie: -21,8 %), ainsi qu’au Danemark (-13,1 %), où une chute de 25 % est prévue au cours de la période 2007-2011, et de manière plus inattendue en Hongrie (-19,1 %), où les travailleurs de la construction restent les employés les moins payés de l’industrie hongroise.

Conformément à la tendance de 2008 et en raison des évolutions très négatives dans ces pays, l’emploi dans le secteur de la construction en Espagne, en Irlande et au Royaume-Uni a poursuivi sa chute spectaculaire en 2009, avec des taux respectifs de -24,9 %, -26,1 % et -12,2 %. Dans ces pays, l’industrie ne prévoit qu’une reprise très lente.

La France (-2 %) a également enregistré une perte d’environ 50 000 travailleurs en 2009, uniquement pour le secteur de la construction, et une nouvelle perte de 30 000 travailleurs est prévue dans ce secteur en 2010. De même, le Portugal a perdu 49 000 travailleurs en 2009 (-8,8 %). En Italie (-3,4 % en 2009), les employés de l’industrie de la construction ont été plus touchés par la conjoncture que les travailleurs indépendants.

Par contre, dans certains États membres, la main d’œuvre est restée relativement stable et a même augmenté légèrement par rapport aux niveaux de 2008. Tel fut le cas des Pays-Bas (-1,9 %), de l’Autriche (-1,1 %), de la Belgique (+0,8 %), de l’Allemagne (+0,3 %) et de la Pologne (+3,6 %). Dans ces pays, les employés ont eu tendance à recourir au chômage temporaire plutôt qu’aux licenciements en raison de la difficulté liée au recrutement de travailleurs qualifiés dans ce secteur. Aux Pays-Bas, par exemple, le gouvernement a alloué 64 milliards d’euros sur deux ans afin d’éviter le licenciement de travailleurs qualifiés qui seront nécessaires dans un futur proche. D’autres mesures de ce genre comprennent la rétention des jeunes dans le secteur de la construction, la formation des adultes, ainsi que des mesures de chômage temporaire.

Même s’il est prévu que les investissements reprennent en 2010-2011 dans certains pays de l’UE, un certain délai sera nécessaire avant d’assister à la reprise de l’emploi. En outre, un regain d’activité est prévu dans le génie civil, qui est un secteur à moins forte densité de main-d’œuvre. Dans tous les cas, la diminution des opportunités pour les indépendants dans les pays d’Europe de l’Ouest a poussé bon nombre de travailleurs d’Europe centrale et orientale à retourner dans leurs pays d’origine. Cette tendance constitue une opportunité pour les nouveaux États membres de palier au manque de main-d’œuvre dans leur industrie de construction (ex. la Roumanie). Dans la plupart des pays de l’UE, les salaires dans le secteur de la construction sont actuellement gelés et les travailleurs non qualifiés sont les personnes les plus touchées par les licenciements.

Strong falls have been recorded in particular in the Baltic states (e.g. Lithuania: -21.8%), as well as in Denmark (-13.1%), where a 25% drop is forecast over the period 2007-2011, and more unexpectedly in Hungary (-19.1%), where construction workers remain the lowest paid employees of the Hungarian industry.

In line with the 2008 trend and due to the very adverse developments in those countries, construction employment in Spain, Ireland and the United Kingdom continued to sharply fall in 2009, with rates of -24.9%, -26.1% and -12.2% respectively. In these countries, the industry only expects a very slow recovery.

By contrast, there were a few member states where the workforce remained relatively stable or even expanded a little compared to 2008 levels. This was the case in the Netherlands (-1.9%), Austria (-1.1%), Belgium (+0.8%), Germany (+0.3%) and Poland (+3.6%). In these countries, employers tended to have recourse to temporary unemployment rather than redundancies because of the difficulty faced in recruiting skilled workers in this sector. In the Netherlands for instance, the government has allocated 64 billion € over two years in order to avoid the laying off of qualified workers who will be needed in the near future, other such measures include retaining young people in the construction sector, the training of adults and measures for temporary unemployment.

Even if investment is expected to resume in 2010-2011 in some EU countries, it will take some time before employment rises again. Moreover, more activity is expected in civil engineering, which is a less “labour intensive” segment. In any case, the decreasing opportunities for the self-employed in western European countries has led many central and eastern European workers to return to their countries of origin. This trend represents an opportunity for new member states to resolve the manpower shortage in their construction industries (e.g. Romania). In most EU countries, wages in the construction sector are now frozen and unqualified workers are the most impacted by redundancies.
1. Overview

Austria is affected by the worldwide economic downturn following the financial crisis. After a period of sustained growth over the last few years with GDP growth rates of +3.5% in 2007 and +2.0% in 2008, real growth plummeted in 2009 by -3.4%. The timely implementation of several public stimuli for the economy (e.g., a cut in income taxes, car scrapping premium, infrastructure investments, etc.) significantly added to a rather prompt economic stabilization. Its overall performance remains above the European average. Growth is expected to pick up again already by 2010 (+1%) and (+1.5%) by 2011. Over the projected period, growth will be mainly policy driven and will strongly depend on the successful implementation of economic programmes and the speed of recovery of Austria’s main trading partners.

In the 1st half of 2009, being an export-oriented economy, Austria was severely hit by the worldwide economic slump: for 2009, exports are estimated to drop by -12%, resuming positive growth rates already by 2010.

The pace of slowdown in investment spending is expected to decrease by 2010 once industrial output recovers. With limited demand and excess capacities, firms are cautious to add to their capital stock.

Construction investment is strongly hit and will not pick up momentum before 2011. Even though Austria never experienced a credit crunch and interest rates are relatively low, financial markets are tight (with high risk premiums) and difficulties in financing exist, restraining investments. Government programmes targeted at small and medium-sized enterprises have been put in place to enhance investment activity.

Besides that, infrastructure investments were another major component of the stimulus package supporting the construction industry as a main driver of the economy. Overall, 1.4 billion € will be spent throughout 2009 and 2010.

Austria’s tourism sector has so far been little affected by the economic crisis. In the summer season, sales and the number of overnight stays remained somewhat more than 1% below the levels recorded a year earlier.

Private consumption expenditure is expected to grow only slowly over the next few years. Due to the general rise in overall uncertainty, the saving rate is expected to rise once more in 2009 and to level off thereafter. Consumption is also negatively affected by the adverse effects of the overall economic downturn on the Austrian labour market.

2. Overall construction activity

Construction investments have also hit by the crisis but the stimulus packages of the government have prevented a sharp
decline. Total construction output fell by -3.3% in 2009 and is estimated to fall by -1.6% in 2010. The construction sector will not pick up momentum before 2011. In 2012 a +1.0% increase in total construction output is expected followed by a period of moderate growth rates.

After a strong increase in residential construction in 2008, the downturn of new housing construction was significant in 2009. An effective stimulus package for the renovation sector can compensate the sharp decline in new housing demand. In 2009 new residential construction fell by -3.3% while the renovation sector is expected to have increased by +2.7%. Therefore total housing output is expected to have shrunk by only -1.3% due to the government stimulus packages put in place in 2009. In 2010 a stronger decline is anticipated because of a significant lack of private demand in new housing construction (-2.5%). In 2011 housing construction could stabilize on a low level (+0.3%) with a further slight increase in 2012 (+0.7%).

Non-residential construction experienced the strongest downturn of all building segments. In 2009, new construction will drop by nearly -12%, the rate of decrease will slow over the next few years, but a recovery is unlikely to occur before 2012. Only when firms need to extend their production capacities as a result of an improving overall economic situation and financial markets will be less tight, the demand for commercial, office and industrial buildings will pick up again. Especially public non-residential buildings for education are expected to grow over the next few years due to the government’s stimulus packages.

Total civil engineering output is still an important bearer of the whole construction industry. The economic downturn has also put pressure on this sector which led to only a slight increase of +1.5% in 2009 even if there are several public projects on the way. In the forecasted period further growth is expected. Public stimulus programmes will show – with a delay – their full results in 2010 and 2011. At this time growth rates of about +4.4% are expected and further +3.5% in 2011. This trend should continue also in 2012 (+3.7%).

### 3. Housebuilding

The economic crisis hit the housing market in 2009 after a significant increase in housing output from 2006 to 2008. The decline of total housing construction (new & renovation) will be moderate with -1.3% in 2009, mainly because of remedial public measures. A stronger decline is expected for 2010 because of a lack of private demand in new housing construction (-2.5%). In 2011 housing construction could stabilize on a low level (+0.3%) with a further slight increase in 2012 (+0.7%).

In the 1st half of 2009, new residential construction output declined by -4.5% (Statistics Austria, 2009) after a strong increase in 2008. The Austrian government took action against the developing crisis already in autumn 2008. This also included a stimulus program for thermal and energy efficient renovation with a volume of 100 million € (Shared 50 million € for housing and

### Table: Real Changes in Comparison to the Previous Year

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### Table: Variations in Production Year on Year

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50 million € for non-residential buildings). In April 2009 this sub-
sidization was granted in form of a so-called “renovation cheque”
which was limited to a maximum of 5,000 € public support for
private thermal renovation works in one and two family houses.
Around 11,000 persons took advantage of this subsidization
within the first two months. Estimates show that about 650 to
800 million € of additional renovation contracts were assigned in
the construction industry. This public measure especially supported
small and medium sized enterprises and was also an important step
towards CO₂ abatement. This subsidization secured about 7,000
jobs in the construction industry and prevented a stronger decline
in employment.

Nevertheless the economic crisis has led to a reduction in the con-
struction of new one and two family houses. Demand for financial
means from housing savings banks and for loans for housing in
general declined. The strong downturn was evident especially in the
1st half of 2009 with a decline of the total financing volume by
-15%. The weak private demand for new housing will further tighten
in 2010. Private expenses in housing renovation rose significantly in
2009 but at the end they cannot compensate the downturn of the
financing volume in new construction.

Despite favorable interest rates, private house builders will more
often delay the investment decision because of the general high
insecurity of economic recovery, the increase in unemployment and
the restricted access to housing loans. This will lead to a sizable
decline in private housing demand in 2010 and 2011. In 2012 an
improvement of this situation might be expected in the course of
the overall economic recovery.

In the multi-story segment a decline in new construction can equally
be observed. Housing developers are also cautious with new rental
or cooperative buildings; the construction of new freehold flats is
decaying. Private building companies expect that fewer households
will be able to afford expensive freehold flats. In Austria public
housing subsidization plays an important role in new housing con-
struction, but more and more federal states are under financial
pressure. So, it is likely that these previous public housing funds will
be used instead for balancing the state budgets. This would limit the
growth potential of new housing significantly. Also housing savings
banks are displaying restrictive lending behavior, which is leading
to a decrease of the financing volume – putting additional pressure
on the multi-dwelling housing segment.

The economic crisis has also led to a reduction of dwellings permits1.
According to Statistics Austria around 38,885 permits were issued
has to be considered that, in comparison to the previous statistics
before 2002, the new figures do not include rebuilding, extension
or reconstruction and dwellings in other buildings.

4. Non-residential buildings

The Austrian non-residential market has been known as a rather
stable market in international comparison. Still, the consequences

1. From 2002 until summer 2009 permitted and completed dwellings could be
only estimated because of a lack in official statistics.

of the overall economic downturn are affecting this sector the most
and losses are sizeable for the upcoming years – a recovery is
not expected before 2012. One of the reasons is that financing
remains difficult. Also, many projects have been postponed. Limited
financing restraints can be found, however, for projects in prime
locations built according to modern standards and ideally with
large shares already pre-let or pre-leased. Furthermore, the overall
decline in this building segment should be put in the perspective of
extensive growth over the last few years during Austria’s economic
upswing.

In the non-residential sector, economic stimuli play an important role
in stabilizing parts of the market. The federal real-estate company
(BIG – Bundesimmobiliengesellschaft) is concerned mainly with
buildings for education and buildings for other public purposes.
It manages over 7 million m², 41% of which are schools, another
23% universities, and the remainder consists of office and other
non-residential buildings (BIG Business, July 2009). The economic
stimulus packages include an increase of BIG’s public non-residential
investment (total investment of 875 million € in 2009 and 2010 –
thereof two thirds are related to the construction sector). Building
investment should mainly stimulate thermal insulation, renovation
and maintenance activities but also new projects. At the moment,
projects worth nearly 5 million € are executed, and long-term
projects valued 1.5 billion € are currently being prepared. Overall,
this large-scale public support explains the higher growth rates in
educational buildings 2009 and 2010.

Other areas, such as industrial, office and commercial buildings
face a far dimmer future as they are more dependent on the overall
economic outlook. The Austrian office market faces an era of re-
dimensioning after a period of expansion, additionally there is a
shift from luxury to medium-priced assets. While projects under con-
struction are being completed, new projects still in preparation are
generally being cancelled or delayed as financing is still aggravated
though not impossible. Also, there has been a significant reduction
in the demand for office space. As an overall result, rents are cur-
rently decreasing on average, while an increase in the vacancy rate is
currently observable, due to elevated uncertainty and risk adversity,
the supply of new office space will experience a downward trend for
the upcoming years, even though regional differences are likely
to exist (CBRE, 2009; EHL, 2009).

The retail market segment is also experiencing a strong downward
trend as turnover in retail trade plummeted at the beginning of
2009. Only locations in well-established areas in Vienna and
regional capitals show some stability. Demand for new shopping
centers is generally limited (also because of the already high density)
and strongly depends on location and size. In the hotel sector,
despite relatively stable convention travel, the decline in leisure
travel is putting a strain on the market; new hotels are currently
especially being developed in high and low budget categories, but
a main focus is also refurbishment (Colliers International, 2009).
Given the current economic slump and uncertainty about the future,
the total commercial building sector is due for a very slow recovery.
A similar trend can be observed for the industrial building segment.
The sharp decline in industrial output in 2009 has also taken its
toll in this sector and a general recovery is only expected for 2012.
Again, despite the overall picture, good locations with modern
infrastructure are still in demand.
5. Civil engineering

The civil engineering market has been one of the key drivers of the Austrian construction market in this decade. Since 2000 this sector has grown constantly (except 2001) reaching its current peak in 2008. The volume amounted to 7.7 billion € in 2008.

Nevertheless the civil engineering market is under pressure. It is also suffering because of the financial crisis. Public funds helped to stabilize the volume in 2009 where a slight increase of +1.5% is expected. Investments funded by the economic stabilization programmes with a volume of 200 million € for highway road infrastructure and 700 million € for railway networks (including renovation and reconstruction of railway stations) will positively influence the sector especially in 2010 and 2011.

The current main projects in road infrastructure - mainly in highway construction - are the northern route “A5 – Northern Highway” (from Eibelsbrunn to Schrick) and parts of the “S1, S2 and S33” expressways.

The most relevant projects coming up are:
- A5 connection to the border of Czech Republic starts in 2010 with a volume of 380 million €;
- S34 St. Pölten – Wilhelmsburg starts in 2010 with a volume of 169 million €;
- S1 Schwechat – Süßenbrunn starts in 2011 with a volume of 1.7 billion €;
- S8 to Marchegg, border with Slovakia starts in 2011 with a volume of 608 million €;
- S3 Hollabrunn – Kleinhaugsdorf to Czech border starts in 2012.

Total infrastructure including train, airport and water way investments will increase by +2.0% in 2009 and by +4.2% in 2010 when the public measures fully take effect.

The demand for energy is continuously rising and the regionally changing environment - regarding supply and demand of energy - is leading to an expansion of electricity production as well as of the distribution networks. E-Control calculations showed that the planned power plants will lead to additional capacities of 7,628 MW until 2016. At this time the total power plant capacity will be around 26,810 MW in Austria.

Currently 40 water power plants are in the planning or approval phase with a yearly capacity of 2.9 billion kilowatt hours. The investment sum of these projects amounts to 5.6 billion €. This is nearly half of the total investment plan until 2020 (13.3 billion €).

The most important projects, which are going through the environmental approval phase, are the power plants in Telfs, Koralpe, Feldsee II, Kühltai, Reisseck II and a project on the Inn River. These projects have a volume of 1 billion €. Additionally around 500 million € is currently being invested in projects in the areas of wind, sun, and biomass with a yearly capacity of 600 million kilowatt hours. Above this, power lines in Salzburg and the north-south connection in Styria will be expanded.

According to the Association of Austrian Electricity companies, investment volumes in 2009 and 2010 will be about 2.3 billion €. This is significantly more than in the last few years and it should be a contribution to the economic stimulus programs. A delay of these investments is expected because of long handling times (mainly because of environmental approval) so the construction sector will mainly benefit in this area in 2010 and 2011.

Investments in urban water management increased significantly in 2008, mainly because of the high demand for public funds. The net present value of the subsidization volume was 4 billion € in the water management sector over the last 15 years (277 million € per annum). This led to investments of 13.8 billion € in this 15 years period (922 million € p.a.) – it has to be considered that this reflects the estimated volume of the applications while only 66% of the total subsidization volume was paid-out.

All in all the energy and water works sector increased significantly in 2008 with a growth rate of 9% mainly because of the additional investments in the power grid and power plants.

In total civil engineering, only a slight growth of 1.5% is expected for 2009 mainly because of the peak in 2008. The full potential of the public infrastructure stimulus packages will be realized in 2010 and 2011. In the forecasted period a further increase is expected with growth rates of about +4.4% in 2010 and +3.5% in 2011. This trend should also continue into 2012 (+3.7%).

6. Employment and other quantitative indicators

In November 2009, 258,000 persons were registered as unemployed with the AMS (Public Employment Service); the seasonally adjusted unemployment rate according to the traditional Austrian definition was 7.4% of the dependent labor force. Since its record low in spring 2008, the number of unemployed persons has risen by 61,000 (seasonally adjusted).

The pace of labor market deterioration has eased lately. Unemployment has been rising at a slower pace, while the number of employed persons has been increasing marginally in seasonally adjusted terms.

After decreasing unemployment in the construction industry in 2007 (-11.6%) and 2008 (-10.7%) the economic downturn has led to a 23.6% rise in unemployment in 2009. Despite this, average unemployment in the construction sector was still less than 2006. Furthermore, the increase of unemployment will slow down in 2010.

Referring to the Austrian Kreditversicherungsverband (business data and debtor management) within the construction industry in 2009 there were around 1,100 cases of insolvency (about 660 adjudged) with liabilities of 428 million €.
1. Overview

The deterioration in the economic environment, which spiralled out of control to an unbelievable degree in late 2008 - early 2009, has given way to a scenario in which the prospects of recovery are becoming more certain.

In Belgium, initial estimates refer to a positive quarterly trend over the summer. This gives credibility to the Federal Planning Bureau’s economic scenario, according to which the recession will probably be less severe and shorter than feared (-3.2% in 2009 and +0.4% in 2010).

In this context, in which 2010 still looks like being a difficult year, the Government has decided to extend a whole series of measures taken within the framework of the recovery plan. The plan was adopted at the end of 2008 to combat the effects of the crisis. It contains, among other things, various specific measures designed to sustain economic activity by means of construction.

These measures will probably help to cushion the effects of the crisis for construction but not to avoid it undergoing a decline that is more pronounced and longer than for the economy as a whole.

2. Overall construction activity

In fact, it appears that civil engineering is the only construction segment able to avoid a recession and even to hope for continued growth (or even substantial growth in some respects) during the forecast period.

Conversely, the construction of new buildings is expected to decline year on year, throughout the forecast period, to a more or less pronounced degree depending on the year and the nature of the buildings in question.

Between these two extremes, represented by the trends anticipated for civil engineering and new building, the rehabilitation and maintenance (R&M) of buildings appears to be an "intermediate segment". Supported by favourable structural characteristics, it should generally escape the recession and, therefore, cushion the fall in new construction. However, although it shows real prospects for growth for 2011-2012, at least some of its components are unlikely to escape difficulties at the start of the period. The demand for R&M will probably suffer from the scale of the economic turbulence; although the effects of this negative trend will probably be offset by the encouraging effects of various measures to promote energy-saving renovation of dwellings.
All in all, it seems that the recession will not necessarily be limited to 2009 for construction. On the contrary, it looks like 2010 will be even more difficult, especially for the construction of new buildings and even more as far as the construction of non-residential buildings is concerned.

3. Housebuilding

Showing a drop of less than 2% in 2008, demand for housing had held up better than it did in many other European countries. Belgium therefore began 2009 with a large housing stock on which to start work and significant potential for activity for the year, at least under normal economic circumstances.

As the period probably could not be considered normal given the severity of the expected recession, the “start-of-work” statistics recorded during the 1st half of 2009 have revealed a drop of around 15% in the “start-of-work” rate.

This observation obviously affects expected activity for 2009 or even in the longer term if the “start-of-work” rates remain lower than normal for a long time.

Nevertheless, in the longer term the trend will be dictated by planning permits, which reflect the course of demand for new dwellings. The figures for the 1st half of 2009 appear fairly reassuring in the sense that they do not reveal a break in the trend. However, projections remain pessimistic.

It is important to bear in mind that, even if the economic recovery starts in 2010, as the Federal Planning Bureau expects, the situation is still expected to deteriorate badly as far as employment is concerned.

In terms of the decisive factors for activity, it is also important, for 2009-2010, to mention the effects of the recovery plan, in particular the measures targeted at the construction of new dwellings. These include a reduction in the rate of VAT on an amount of 50,000 € for the construction of new dwellings. Initially planned for works (or sales) carried out in 2009, the reduction has been extended for dwellings for which the planning application is submitted before 31st March 2010.

The measure encourages the actual start of work (during the period 2009-2010) on dwellings, the construction of which has been authorised and increases the budget that can be allocated to them. The measure helps to counter the effects of the crisis on the completion of authorised dwellings.
It is quite difficult to quantify the respective outcomes of the crisis and of the recovery plan on the completion of projects underway. The expected trajectory for 2009-2010 may therefore not be very precise, but the trend is perfectly clear. The decline in demand is expected to be heavy and to last beyond the forecast period.

The R&M segment of the housing construction market looks more favourable than the new construction segment.

Moreover, this segment is structurally less sensitive to temporary economic variations since it is sustained by the continuing increase in stock and the constant raising of quality standards. In addition, for some years now, it has also been sustained by the increase in a number of measures to support energy-saving renovation.

Specifically with regard to 2009, it is evident, however, that R&M is suffering the effects of two opposing forces.

The first, directly attributable to the severity of the economic crisis and to the scale of the accompanying recession, is damping down the demand for R&M works. While the second, linked to the increase in and reinforcement of measures to support energy-saving renovation, is boosting it. All in all, the end result looks positive because a fall in traditional demand is more than offset by an upsurge linked to energy-saving renovation.

In the longer term, these forces remain decisive factors. With the return to growth expected by the Federal Planning Bureau, the burden of the crisis, which will still be affecting demand in 2010, will probably end up disappearing in 2011. Conversely, when the measures to support energy-saving renovation in force today are fully up and running, the growth impetuses linked to their progressive increase will gradually disappear.

R&M therefore appears to be a powerful cushion, capable of limiting the effects of the variations in new construction on total housing output, but not enough to avoid a continuous fall during the forecast period.

### 4. Non-residential buildings

Since the strong increase in demand observed in 2007 (30% rise in the volume of permits, mainly for industrial buildings), projections regarding the demand for new non-residential buildings have been negative and the onset of the economic crisis has heralded a new decline for 2009-2010.

It is therefore against all expectations that permits issued for non-residential construction appeared to increase at the end of 2008.

However, these variations do not fundamentally call into question the negative nature of projections. Moreover, the figures of the 2nd quarter of 2009 showed the start of the expected fall. In its autumn projections, the Federal Planning Bureau also confirmed a drop in business investment for the 2009-2010 period.

The strong demand recorded in late 2008-early 2009 should nevertheless support output at the start of the forecast period. Thus, the drop expected for 2009 appears to be more limited than could be imagined. For 2010, the expected fall in demand is accelerating the fall in output.

Regarding the renovation segment, although it is traditionally less sensitive to variations in the economic climate, it is also expected to suffer, given the scale of the general economic recession. In 2009, the cyclical dimension linked to the current weakness of the economy is expected to outweigh the structural dimension linked to the increase in and constant improvement of the building stock. With the return of economic growth expected in 2010, the cyclical dimension will, in all likelihood, cease to work against the structural dimension but will, in all likelihood, continue to affect growth in the renovation of non-residential buildings.

All in all, non-residential construction will head through a difficult trajectory during the 2009-2010 period. This is mainly due to difficulties in new construction, partially cushioned by the better performance of renovation. 2010 looks like being the most critical year before a return to growth from 2011.

### 5. Civil engineering

Various indicators show that civil engineering will probably escape the difficulties experienced in building construction during the course of 2009. However, it should be borne in mind that, activity in this sector in 2009 is mainly the result of budgetary decisions made before the economic and financial crisis broke out.

The question is now what the future for civil engineering expenditure will hold and what regional and local authorities’ budgets will be, at a time when most of them are facing budgetary difficulties due to a fall in revenue.

In the context of the current fluctuations in the revenue and investment of local authorities, significant growth of civil engineering activities cannot be expected before the end of 2010, by which time local authorities’ revenues are expected to stabilise due to the influence of the 2012 elections.

It is also in 2010 that the preliminary effects of the recovery measures dedicated to civil engineering works are expected to be recorded. These measures mainly cover the maintenance of the motorways and trunk roads situated in the Walloon Region, for a total amount of 600 million €. This project was initiated by the previous legislature to be spread over 2009-2011. It was confirmed by the team resulting from the regional elections of June 2009; however, it appears that the works will now cover a longer period and will last until 2013.

All in all, civil engineering should experience an uninterrupted rise during the forecast period and the acceleration expected for 2010 could even intensify in the upcoming years.
Road works are expected to experience the highest growth trend during the forecast period, as they will be the main form of infrastructure to benefit from the civil engineering part of the Walloon recovery plan. Road works also follow local authorities’ investment cycles most closely (not to say that they actually influence that cycle).

6. Employment and other quantitative indicators

Broadly speaking, construction employment regressed in 2009 but by less than the fall in output. This situation raises even more questions regarding the course of construction employment in 2010. A drop in activity generally affects employment only after a certain delay. Belgian contractors facing structural difficulties in recruiting the skilled labour they need are trying to retain their workforce as long as possible. To that end, they may have recourse to temporary unemployment, the increase in which foreshadows a decline of employment. The rather normal levels of temporary unemployment in 2009 consequently do not indicate a subsequent big drop in employment. Nevertheless, employment is likely to decrease in the wake of the recession but to a lesser extent than the business volume, as in 2009.

It is also important to note that, as was already the case in 2008, 2009 as been characterised by an increase in the number of bankruptcies. This increase is the consequence of the prevailing economic climate; and, no doubt, the effect of the cautious policy of credit insurers must be added to this.

Moreover, irrespective of the problems in store for construction as a whole, it is important to emphasise the fact that construction will also be an area of internal shifts. Although the recovery plan is helping, for example, to cushion the impact of the economic crisis, such cushioning effects can – in particular – be attributed to measures supporting certain segments of construction, among other things in connection with energy-saving renovation and civil engineering. That is to say, certain areas of activity will see a less pronounced decline than the average and will probably even rise, while others will, in contrast, be faced with a bigger decline.
1. Overview

After five years of strong economic growth (6.2% on average) and in the space of only nine months, a growth rate of 6.8% (3rd quarter of 2008) turned into a 5% decline – a very painful contraction, which was in line with the pessimistic forecasts of foreign analysts. The factors that have led the economy into this state are the drying up of foreign investment, more stringent credit conditions, stagnation in consumption and the almost zero absorption of European Funds. European Funds have become a major factor in economic activity.

Regarding the economic value added, the main falls have come from the decrease of activity in the industry and the construction sector – both measured in two-digit numbers since the beginning of the year. The first to withdraw from the market were foreign investors and private creditors, who swiftly sensed the negative trend. Bulgaria is highly dependent on foreign finance – the share of foreign investment in GDP during the last five years has been 18% on average, which makes Bulgaria country a leader in Southeast Europe.

The world financial crisis has put pressure not only on investors but also on credit companies. Bulgarian banks are stable but difficulties faced in their external headquarters have deprived them of fresh liquidity. After three years of a credit boom and growth rates in the range of 50-60% per year, the growth rate in the middle of 2009 shrank to just 8%.

The corporate sector, and mostly exporters, has also started facing difficulties, hence the gap between creditors and debtors has become a bilateral process, e.g. both parties have lost interest in granting/paying off credit. After years of confident increases, the circular flow of financial resources has disappeared due, to a large extent, to the interest “collision” among banks.

Along with the external difficulties and the strong dependence of the Bulgarian economy, and in particular of the construction sector on foreign financial flows, household consumption – the most powerful economic growth engine (over 82% of GDP) – has stagnated.

So far, there isn’t a simple answer to this question. The signals, that the West European countries, being the main commercial partner of Bulgaria are exiting recession, are positive factors and will help nudge the Bulgarian economy towards recovery.

At the same time forecasts for the construction sector are pessimistic and significant business improvement is not expected before 2011. Business surveys from the National Statistical Institute also underscore the gloomy prospects. Delayed payment for finished works is putting construction companies in a position of co-investor. Investment activity requires a different type of behavior and adjustment. The crisis in Bulgaria is rather economic, than financial. Its effect is expressed in the slowdown of construction sector activity, and this in a sector that is first to feel the effects of a slowdown.
There is a possibility that EU operative programmes will be resumed in the fields of regional development, transport and the environment. Within these programmes, there is more than €4 billion to be absorbed until 2013. In this context, it should be possible to mitigate the negative impacts of the crisis. However much depends on these EU funds being put into operation as quickly as possible. However, even a 100% EU funds absorption will not be of help if the credit system fails to start working again and if vigorous consumption does not return along with a high rate of exports and private investment.

Moreover, the growing company and inter-company indebtedness on the one hand, and state indebtedness towards construction business on the other, is quite disturbing.

According to preliminary data provided by the Bulgarian National Bank (BNB), overall direct investment in the country decreased by 57% and stood at €3.7 billion in 2009, which represents 8.4% of GDP. By contrast, foreign investments amounted to 19.2% of GDP in the same period of 2008. Revenue from investment made by foreign parties in the real estate sector amounted to €700 million in 2009, whereas in 2008 such investment totalled €1.9 billion. The largest number of companies that have invested in Bulgaria originate from the Netherlands (31% of total amount of direct foreign investment), followed by Germany (15.2%), Austria (7.1%) and France (6.4%). Direct foreign investment in the construction sector in 2009 decreased by 64.7% to stand at €368 million compared to 2008.

## 2. Overall construction activity

2009 has been marked by survival and intense competition within the construction sector in Bulgaria. Construction is one of the industries most affected by the crisis and Bulgarian construction companies have been among those most severely hit in the EU.

According to data provided by the Statistical Office of the European Commission (Eurostat), Bulgaria has remained among the countries with the biggest reductions of construction output. This tendency is valid both on a monthly and on an annual basis. Bulgaria leads the ranking for the 4th quarter of 2009 with a decrease of 31.8%.

The buoyant development of the construction sector over the last 6-7 years encompassed not only construction activity itself (building of houses, hotels, vacation complexes, offices, roads, etc.) but also directly and indirectly related industries. The rate of growth (over 15%) of construction and assembly works (installation works) was significantly higher than the growth rate of the Bulgarian economy as a whole.

2009 income of construction enterprises at current prices (note: the joint table shows variations in % at constant prices):

- Total: 6.8 billion € = 25% decrease compared to 2008.
- Housebuilding: 4 billion € = 34.3% decrease compared to 2008.
- Civil engineering: 2.8 billion € = 5.6% decrease compared to 2008.

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This shows that construction enterprises are facing difficulties in finishing the buildings they have already started and are redirecting their efforts towards civil engineering and road infrastructure, although late payments from the state in this field amount to about 90 million €.

The gross value added (GVA) from construction is 7.8% of the total GVA of the economy for 2009. This shows an 8.1% decrease, which is 196 million € less compared to 2008. Individual consumption has decreased by 5.2% in real terms.

The total number of construction permits in 2009 issued was 4,874 and their total built-up area comprised 3 million m²; the total number of construction permits issued for buildings witnessed a fall of 4,947 units compared to 2008; construction permits for residential buildings were 3,729 units down on 2008 (36.7% decrease); construction permits for administrative buildings decreased by 26% or 107 units while non-residential buildings (except administrative buildings) faced a reduction of 1,111 units, which is 19.6% less than in 2008.

Expectations are also negative due to insufficient financial security, the state delaying payments to construction companies and inter-company indebtedness. The state recognizes that it owes over 205 million € to construction enterprises for the execution of public contracts. According to the Bulgarian Construction Chamber, however, the liabilities of the state amount to around 450 million €, the difference arising from unaccepted invoices.

The following projects are envisaged within EU’s Operative Programmes:

- Financial aid scheme for the renovation of higher education infrastructure;
- Programme for the development of rural regions: financial means envisaged for infrastructure projects;
- Absorption of EU Funds in the framework of the JEREMIE program: creation of guarantee funds, risk capital funds, micro financing funds, bank-financing funds;
- Energy efficiency measures for educational institutions in municipalities: the programme will cover 178 smaller municipalities;
- A total of 27.3 million BGL (approximately 14 million €) is expected to be made available under the EU’s “Regional Development” Operative Programme.

### 3. Housebuilding

6,428 construction permits for residential buildings with a total of 20,166 housing units were issued in 2009. While the total number of residential buildings decreased, the number of housing units in them increased. All in all, the number of housing units in residential buildings however registered a decrease of 59.2% (or 29,241 units less) compared to 2008. This tendency speaks volumes regarding the state of the construction industry.

### 4. Non-residential buildings

305 permits were issued for non-residential buildings, 107 units fewer than in 2008 (-26%). Permits for non-residential buildings (except administrative buildings) faced a reduction of 1,111 units, which is 19.6% less than in 2008. The types of buildings most often constructed were hotels and administrative buildings.

2009 saw a 20% decrease in the number of buildings erected compared to 2008, which equals a reduction of 1,218 buildings. Contrary to the accelerated construction of hotels on the Black Sea coast and in mountain resorts in 2007 and 2008, the economic crisis in 2009 decreased the interest for these types of projects. A reduction in the construction of shopping centers and administrative buildings is also observed. On the contrary, the network of hypermarkets and logistics centres is spreading throughout the country.

### 5. Civil engineering

The tendering procedure for lot 2 of Trakia Motorway has just finished and the public procurement procedure for lot 3 has been launched. Lot 4 of the same motorway is also expected to commence soon. The positive trend in civil engineering is expected to continue into 2010, as Bulgaria is obliged to cover EU requirements for infrastructure and environment.

A significant share of civil engineering companies’ income comes from the European Funds. The way out of the crisis will be the construction and reconstruction of road infrastructure, hydro technical plants, environmental infrastructure, modernization of energy plants, gas pipelines and harbour installations. It is expected that civil engineering projects will take a bigger share in activity than housebuilding and non-residential building.

### 6. Employment

The number of those persons employed in contractual relations in 2009 was 251,000, which marks a decrease of 9,000 compared to 2008. The underlying trend is that companies are laying off unqualified personnel whilst keeping those who are qualified. The number of unemployed persons in the sector registered at unemployment agencies in 2009 was 34,000. According to analysis carried out by the Bulgarian Construction Chamber however, this number was actually 50,000. All in all, construction companies are refraining from making mass layoffs.

Thanks to the Central Professional Register of Builders in Bulgaria, the average salary in construction has come closer to average remuneration in the country.
1. Overview

Cyprus has an open, free-market, service-based economy with some light manufacturing and is classified among high-income countries. It has a standard of living that is higher than many European Union Member States and the performance of the economy compares favourably with that of most EU countries. Historically, the successful economic performance of Cyprus has been based on rapid growth and low unemployment rates. Moreover, the country’s accession as a full member to the European Union as of 1st May 2004, has been an important milestone in its recent economic development.

Internationally, Cyprus promotes its geographical location as a “bridge” between West and East, along with its educated English-speaking population, moderate local costs, good airline connections, and telecommunications. Moreover, Cyprus has a liberal investment climate. On 1st October 2004, the Government of Cyprus lifted most investment restrictions concerning non-EU residents, completing earlier reforms (introduced in January 2000) concerning EU investors. Through this decision, the Government of Cyprus has lifted most capital restrictions and limits on foreign equity participation/ownership, thereby granting national treatment to foreign investors. Non-EU investors (both natural and legal persons) may now invest freely in Cyprus in most sectors, either directly or indirectly (including all types of portfolio investment in the Cyprus stock exchange). The only exceptions concern primarily the acquisition of property and, to a lesser extent, restrictions on investment in the sectors of tertiary education and mass media. The gradual liberalization of foreign direct investment regulations has progressively made Cyprus a more attractive destination for U.S., Russian and Asian investors in recent years. Nevertheless, the current international financial crisis and its impact on the national economies of these investors have negatively influenced their willingness to invest in Cypriot real estate and construction sector.

At the end of 2009, the Cyprus economy continues to be influenced by the current international financial crisis and faces significant reduction on its performance. According to the flash estimate compiled by the Cyprus Statistical Service, the GDP growth rate in real terms during the 3rd quarter of 2009 is negative and estimated at -2.5% over the corresponding quarter of 2008. The contraction of the economy during the 3rd quarter of 2009 is mainly attributed to the very negative growth rates observed in construction and hotels and restaurants as well as the negative performance of manufacturing, trade and transport activities. Financial intermediation activities as well as the broad services sector continue to record positive growth but at a decelerating rate. The estimated growth rate of GDP for the whole of 2009 is -0.7% (for 2008 it was +3.6%) and the projected growth rate of GDP for 2010 is between 0.3 and 0.5%.

The rate of inflation for 2009 is estimated to have dropped to 1% from 4.4% in 2008. According to the District Labour Offices the average number of the registered unemployed for the year 2009, reached 20,300 persons compared with 14,500 persons for 2008.
Unfortunately, all the official projections conclude that the negative impact and consequences of the international financial crisis on Cyprus’s real economy will be stronger in 2010.

2. Overall construction activity

According to the Statistical Service of the Republic of Cyprus, construction is one of the most dynamic sectors of Cyprus’s economy that contributes significantly to GDP growth (approximately 10%). Construction projects regarding new (residential building, non-residential building, civil engineering projects) and maintenance works showed rapid growth over the last five years. More specifically in 2005 the gross output at current market prices was 2.1 billion € and in 2009 it is estimated to reach the 2.8 billion €. Nevertheless, in 2009, a decrease of 9.5% compared to the previous year (2008) is estimated.

The Cyprus Statistical Service announced, on 8th December 2009, that during the period January to September 2009, 6,672 building permits were issued, registering an increase of 3.5% compared to the corresponding period of the previous year. The total value of these permits increased by 5.0%, while the total area represented fell by 7.6%. In parallel, the number of dwelling units recorded a decrease of 8.8%. Building permits constitute a leading indicator of future activity in the construction sector.

The Price Index of Construction Materials, for the period January – October 2009, recorded a decrease of 3.7% over the corresponding period of the previous year.

The Output Prices Index in Construction for the second quarter of 2009 reached 116.2 units (base year 2005=100.0), recording a decrease of 3.8% compared to the same quarter of the previous year.

The current international financial crisis and its impact on Cyprus’s real economy are contributing to and exacerbating the current negative situation, even though some major preventative measures have been taken by the government and other authorities, bodies and organisations (public and private) involved in the construction sector. Problems such as the cancellation and postponement of orders, payment difficulties for clients, the increase in the number of cases of late payment, a reduction in the rate of private investment in the construction sector, reduced foreign investment in the Cypriot construction sector, redundancies, scarce credit and/or higher cost of credit, uncertainty of the bankability of projects, are still negatively influencing the sector. The impact of the crisis will be stronger and more problems will arise by the beginning of 2010 as many of the ongoing construction projects will be completed.

The Federation of the Building Contractors Associations of Cyprus (O.S.E.O.K.) is continuously analysing the international financial crisis and its impact on the construction sector in Cyprus and twice (November 2008 and November 2009) provided the Cyprus government with official reports with suggested short and long term preventative measures to be taken.
As a first reaction, the Cyprus government earmarked 40 million € to support the construction sector. Announcing the measure on 14th November 2008, the President of Cyprus, Mr. Christofias, pledged full implementation of the State’s 2009 development budget (which totals approximately 1.2 billion €), more new large projects, and the strengthening of government housing projects. He also pledged extra money to municipalities to ensure they too could carry out planned projects. President Christofias also promised to cut red tape by simplifying procedures to overcome “bureaucratic bottlenecks” that would help projects get off the ground more quickly. At the end of January 2009, the Cyprus government also provided the Cyprus Organisation of Housing Financing with 200 million € to be used as loans with attractive interest rates to young couples and families with low yearly income (below 40,000 €) in order to build or buy their first house.

The above measures were more than welcomed by O.S.E.O.K., its members and the Cyprus construction sector in general. Nevertheless, unfortunately, serious government financing and other structural problems has rendered the implementation of these measures difficult and finally, at the end of 2009, incomplete.

To conclude, O.S.E.O.K. believes that 2010 will be a much more difficult year for the construction sector. Discussions are ongoing with the related ministers, other government department heads and Cyprus’s political parties in order to find and apply efficient methods and tools for the immediate implementation of the measures announced and to design and implement new measures that will prevent the expected negative implications of the financial crisis for our sector during 2010.

3. Housebuilding

During the period January to September 2009 investment for the construction of new housing buildings reached 1,757 million € compared to 1,772 million € for the corresponding period of 2008. Permits issued for residential buildings from January to September 2009 reached 4,838 with a decrease of 3.5% in comparison with 2008 (5,015). The volume in square meters for new housing observed a decrease of 7.5% in comparison with 2008. The number of permits issued for one-family homes during the period January to September 2009 was 12,759 (13,985 during the corresponding period of 2008).

Circles involved in the property market believe that the coming slowdown in the flow of investment on housing building is to be expected, after the ‘boom’ in construction. The slowdown is also strongly related to the current financial crisis and the stricter lending conditions that banks have adopted.

The phenomenon of “unsold” apartments in new housing buildings has triggered a contraction in construction activity and dismissals of unskilled personnel. After the prosperity and satisfactory profits of the last few years, even the largest companies are seeing their profit margins shrink, while smaller and inexperienced companies are complaining that they are suffering losses. Home buying is no longer accessible to many Cypriot citizens especially with the current level of taxation and banks’ stricter lending conditions. All involved parties in the sector are requesting that the government cut taxation and undertake supportive measures.

The sector, however, continues to attract the largest stake of investment for construction purposes. Investment of 1.7 billion € for residential buildings in 2009 represents 82% of the total investment for new construction (2.1 billion €, according to the total value of building permits).

4. Non-residential buildings

According to the latest released CYSTAT data, the volume of permits for non-residential buildings in January – September 2009 (1,152) showed an increase of 55% in comparison with the same period of the previous year (744). Investment for the construction of new non-residential buildings reached 259.1 million € compared to 212.7 million € for the corresponding period of 2008. The volume in square meters for new non-residential buildings saw a decrease of 8.8% in comparison with 2008.

5. Civil engineering

The civil engineering market has become popular in Cyprus with many companies involved. A major part of this market is the construction and improvement of roads, ports, airports, water supply and sewerage facilities as well as other governmental infrastructure projects and maintenance.

Most of this growth in public works is mainly due to infrastructure projects (motorways, water supply systems, sewerage and maintenance) from the State and semi-governmental organizations.

The volume of building permits issued for civil-engineering projects in January – September 2009 in comparison with the same period of the previous year showed an increase of 4.2% (from 215 permits in 2008 to 224 in the same period of 2009). Permits for division of plots faced a decrease of 6.7% while permits for road construction enjoyed an increase of 35%. As a point of information, permits for civil engineering, non-residential buildings, division of plots and road construction together made up for 18% of total permits issued during the first nine months of 2009.

6. Employment

According to the available data, gathered by the Department of Social Insurance, during the 3rd quarter of 2009, the economically active population was estimated at 404,040 persons. During the same quarter the gainfully employed population in Cyprus averaged 382,085 persons against 381,903 in 2008. The total employment in construction sector decreased by 4.7% (from 44,600 in 2008 to 42,500 (estimation) in 2009) with employed workers reaching 31,500 persons and self employed 11,000.

According to the District Labour Office, in 2009, registered unemployment increased to 20,300 persons (40% increase) from 14,500 in 2008. Total unemployment in the construction sector reached 2,549 persons as a yearly average in 2009 with an increase of 182.5% (902 year average of 2008) compared to 2008. In addition to
the above, the number of unemployed related to the construction sector, registered at the District Labour Offices on the last day of November 2009, reached 3,157. In comparison with November 2008 (1,070 persons) an increase of 2,087 persons was recorded (195% increase).

The continuous improvement of working conditions and the working environment constitute a major ongoing policy of the government, which is implemented by appropriate legislation, the enforcement of which is effected through a system of inspections carried out by properly trained inspectors of the Department of Labour Inspection. The National Safety and Health Council, where the Federation of the Building Contractors Associations of Cyprus (O.S.E.O.K.) participates as a member, has an important role in the general effort for the improvement of the working environment and working conditions and for the establishment of a “safety behaviour” at all levels.
1. Overview

Like many other European economies, the Czech Republic was hit by recession in 2009. GDP contracted by -4.6%, compared to a rate of growth of 2.5% in 2008.

From 2004 to 2007, continuous GDP growth was stimulated by:

- gross fixed capital,
- personal consumption,
- fast growth in exports, including the growing positive balance of foreign trade.

This trend changed in 2008. The share of the fixed capital decreased, namely due to:

- a decrease of financially covered and secured investment demand,
- a decrease of material stocks by one half,
- a decrease of public consumption,
- a stagnation of private investment from households, and,
- a significant drop of exports and imports.

Nevertheless, the biggest development in 2008 was the significant strengthening of the Czech currency against the euro.

However, from June 2008 until February 2009, the currency weakened by -14.6% before stabilising again. The highly volatile exchange rate in 2008 significantly complicated the business plans and intentions of entrepreneurs. These variations have also had a significant impact on the value of EU grants, because the exchange rate (against the euro) is not related to the real exchange rate used at the time of paying the grants but to the one used when the grants were first approved.

2. Overall construction activity

Similarly to the situation in other European countries, the Czech construction industry entered recession in 2009. While a growth of +6.4% was registered in 2007, it slowed to +0.7% in 2008 and decreased by -3.2% in 2009.

The recession has first and foremost impacted the construction of buildings. The construction of residential houses was also adversely impacted by the VAT increase (from 1st January 2008). The fall in demand due to the economic and financial crisis has not enabled the rate of construction of flats to be sustained, but has also affected the construction of industrial and administrative buildings, logistics centres, as well as other types of buildings belonging to the non-residential segment. In particular the private non-residential segment continues to decrease significantly.

For the time being, the main remaining growth engines are:
• transport infrastructure (civil engineering in general),
• construction works on the international market, and,
• repair and maintenance works.

Due to the new stricter conditions for bank loans, a major problem is how to provide the required share of investment financed from own means and resources, without which it is impossible to get EU funds paid and invoices reimbursed.

The structure of the Czech construction industry changed very little between 2007 and 2008. The share of companies employing a maximum of 20 workers represented around one third of total construction output and decreased insignificantly. The share of companies with 20 to 500 workers accounted for 43.5% of total output in both years. The share of companies employing 500 to 1,000 workers only slightly increased (from 5.5% to 6.6%) while the share of the construction output from the biggest contractors (employing more than 1,000 workers) fell from 19.8% to 18.2%.

### 3. Housebuilding

The construction of residential buildings (apartments) grew at the fastest rate – compared to all other construction activities – between 2000 and 2007. However, the current crisis has caused a decline in output which is expected to last until 2011, bringing output back to 2005 levels. This situation has been caused by the decrease of households’ incomes, as well as the collateral increase of flat prices and living expenses, especially due to the increase in utility bills such as energy and water.

### 4. Non-residential buildings

A sustained decrease of non-residential output has been registered since 2007, in particular regarding private investment, which decreased by 50%. Public investment also registered a decrease (by 30%) in this area. These developments represent the strongest change in construction works output during the ongoing economic downturn.

### 5. Civil engineering

After years of decreasing slowly, the civil engineering segment has since 2008 become practically the only growth engine for the Czech construction industry. This trend is expected to continue in the next few years.

In 2007, the share of civil engineering output represented 37.5% of total construction output. In 2009, the share of this segment reached 42.5% of total output and is expected to remain the only growing segment of the Czech construction industry until 2012.

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1. Overview

The worldwide recession that followed the international financial crisis, has had a strong braking effect on the German economy. Although there were signs of a slight recovery by the end of the year, German GDP fell by 5.0% in real terms in 2009, reaching a volume of 2.4 trillion €. German exports, in particular, were very weak with a decline in real terms of 14%. Despite the recession, consumption was surprisingly strong, growing by more than 1%. The labour market was stabilized by means of the economic stimulus packages. Companies, which retained staff, got extra payments from public funds. Therefore, employment nearly held its 2008 level with only 50,000 jobs lost.

Expectations for 2010 are mixed. Although current forecasts for GDP show a growth rate in real terms of 1.5%, it is widely accepted that the German economy will need at least 3 years to reach its pre-recession level. The negative impact on the labor market will be higher than last year. Expectations about job losses range between 500,000 and 800,000. Most GDP-growth is expected to come from exports which showed signs of recovery in the last quarter 2009.

The stabilizing effects of the economic stimulus packages have come with a high price. New public debt will reach an all time record level in 2010. Especially the federal government will need to borrow nearly 100 billion € from capital markets to finance its expenditure. Public debt will reach an estimated 3.8% of GDP, thus exceeding the Maastricht criteria.

2. Overall construction activity

In 2009, total construction output in Germany reached a volume of 245 billion €, 0.8% less than in 2008 in real terms. Given the forecast made one year earlier, this stabilisation came as a positive surprise. The share of construction activity in total GDP was 10.2%, compared to 9.8% in 2008.

In the three major sub-sectors, public construction – fuelled by the economic stimulus packages – enjoyed a growth rate of 4%, whereas residential construction (-0.8%) nearly stagnated. Commercial construction was hit by the overall economic crisis and suffered a decline of about 2.5%.

Construction prices grew at an average rate of 3% over 2006 – 2008. Declining demand as well as lower prices for energy and construction materials stopped that development. For 2009 construction prices grew by less than 1%.

In accordance with the majority of the economic research institutes, the two German Construction Federations predict small growth in total construction output of 0.7% in 2010.
### 3. Housebuilding

Residential construction dominates total construction output in Germany with a share of about 55%. The 2009 investment volume was about 137 billion €, of which 75% was invested in the existing housing stock of nearly 40 million flats. In the last five years, the volume of new residential construction has fallen by nearly 45% in real terms. On the other hand, rehabilitation and maintenance (R&M) works enjoyed growth of 25%.

In 2010, this picture will change a little. It seems that the long awaited bottom in new residential construction could have been reached in 2009. The estimated construction costs of permits in new residential construction were 5% higher than the year before, despite the general economic slowdown. If in 2010 the labour market shows the same stability as the year before, a slight growth in new residential construction seems possible. The number of finished flats, that reached an all time low in 2009, will grow by about 5,000 units and reach a level of 145,000 in 2010.

On the other hand, R&M works in the existing housing stock will show stable development on a high level. As part of the government’s economic stimulus packages, an additional 1 billion € will be put into the government’s CO₂ Building Rehabilitation Programme between 2009 and 2011. This programme is a huge success. The state owned KfW bank has given out new loans in this programme totalling nearly 9 billion €, thus stimulating investment of more than 18 billion € into 617,000 flats.

Both sectors of residential construction are also benefiting from mortgage rates that are near all time lows. For the time being no credit crunch can be seen on the market as far as new housebuilding is concerned.

### 4. Non-residential buildings

The share of non-residential buildings in total construction output was nearly 29% in 2009. The sector is still dominated by commercial investors to the tune of about 82%. Whereas in the years 2006 to 2008 commercial investment grew by nearly one third, this picture changed completely in 2009 and will continue to do so this year.

As an economy that relies on exports to a large extent, Germany was hit very hard by the worldwide recession in 2009. Industrial output fell by nearly 20%. From January to October the value of permits for commercial buildings was 20% lower than in the year before, and demand in that sector was down by nearly 24%. Capacity utilisation in the industry reached a very low level of 73% in the 4th quarter of 2009, compared to an average of about 85%.

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**DEUTSCHLAND**

Reale Veränderungsrate im Vergleich zum Vorjahr in Prozent

**ALLEMAGNE**

Variations Volume de la production en % sur l’année précédente

**GERMANY**

Per cent variation of production in real terms on previous year
The high order backlog for commercial investors at the beginning of 2009 had a stabilizing effect on output. This effect will not be seen in 2010. Although a substantial rise of about 1.5% in real terms is expected for GDP, investment in commercial buildings will decline by about 5%.

By contrast, investment in public buildings will grow by about 10% both in 2009 and 2010. The sector is benefiting significantly from the two economic stimulus packages of the government which were particularly aimed at public construction works. In addition to all measures taken, the surplus of public investment in the building sector in both years will reach several billion €.

The programme for all public levels (government, federal state, local sphere) puts a special focus on the energetic rehabilitation of existing buildings. It includes the insulation of roofs and walls, new energy saving windows and new central heating systems. As well as in the residential sector, the aim is to reduce CO₂ emissions from buildings that stand for about 40% of total CO₂ emissions in Germany.

The value of permits for public investors in buildings (both new and existing buildings) from January to November 2009 was 46% higher than in the year before, the surplus added to nearly 3 billion €. Parallel to that development, the turnover in this sector within the construction industry was 7% higher in the first 10 months 2009.

Nevertheless, in 2010 the growth in public investment will not be high enough to compensate the decline in commercial construction. Total output in non-residential building will fall by more than 2% in real terms. Moreover, there are substantial doubts for 2011. With the majority of the measures of the economic stimulus packages running out in 2010 and a still weak demand from the commercial side, the market might be even weaker than in 2010.

### 5. Civil engineering

In 2009, civil engineering investment represented 38 billion € or 15% of total construction output. Official statistics split this figure nearly into half between private and public investors. Nevertheless, large parts of officially private investment come from public funds because the investing companies are listed as private ones.

The biggest single investor in civil engineering is the German railway shareholding company. It is also benefiting from the economic stimulus packages. In 2009 and 2010 the company received an additional 1.5 billion € from the federal government to upgrade its infrastructure system. The same goes for German highways. In 2009 and 2010, government investment will be nearly 1.8 billion € higher than in the years before. The surplus for waterways is about 800 million €. With all this extra money coming to the market, public authorities have had some problems to turn funding into real projects. Therefore, it can be expected that the surplus in investment will be higher in 2010 than it has been in 2009.

Private investors in civil engineering, not benefiting from public money, sharply reduced their investment in 2009. As an effect, despite all public efforts, new orders for civil engineering in the construction industry the first 10 months 2009 experienced a growth rate of only about 1.5%.

In real terms, investment in civil engineering stagnated in 2009 but will show significant growth of 4% in 2010.

### 6. Employment and other quantitative indicators

In 2009, total employment in the construction sector in Germany totalled nearly 2.2 million people, which includes the construction industry as well as companies carrying out installations and finishing works; this figure matches that for 2008. 705,000 employees were active in the construction industry, concentrating on civil engineering and structural works, 0.3% more than the year before. Given a turnover in the construction industry, that was about 4% lower than in the year before, this came as a surprise. The development can be explained by the fact that construction companies were eager to keep permanent staff, especially qualified employees.

Over the last few years, German contractors have been successful in improving their financial situation. In 2008 (latest available figure) the equity ratio was 10%: nearly 3 times higher than in 2002 (3.5%). Although the operating margin has deteriorated since 2006, the figure in 2008 (4.1%) was substantially higher than in the years of the construction recession.

The international financial crisis has had its effects on Germany and German contractors as well. In December 2009, every second contractor claimed a restrictive tendency within the banking sector, concerning new applications for loans. One year before, the figure was significantly lower. The situation might worsen in the spring time, when contractors have to show their balance sheets for 2009 to the banks. It can be expected that in 2009 figures will show that both equity ratios and operating margins have not been as good as in the years before.

The number of insolvencies in the construction sector that had been falling steadily since 2002, were about 2.5% higher in 2009 than in the year before. Last year, about 5,200 contractors went bankrupt which is still 40% less than the peak in 2002. For 2010 it can be expected that the rise of construction prices will drop to nearly zero and competition will remain high. Therefore it is reasonable to expect that the number of insolvencies will again rise.
1. Overview

The Danish economy is affected by the international recession in the wake of the financial crisis. In 2009 the fall in GDP was 4.3%, following a fall of less than 1% in 2008.

However, the Danish economy is gradually showing signs of an upturn. Renewed growth abroad, together with an expansionary fiscal policy and falling interest rates, are expected to strengthen output and demand in Denmark with GDP growing by 1.3% in 2010 and by 1.6% in 2011, according to the Ministry of Finance in December 2009.

The improvement in the economy will not immediately feed through to the labour market. Unemployment is expected to rise from an unprecedented low level in 2008 at 52,000 persons or 1.8% of the labour force to 155,000 persons or 5.3% of the labour force in 2010.

The central objective in setting economic policy, since autumn 2008, has been to cushion the impact of the international economic downturn on the Danish economy. Substantial fiscal policy measures have been initiated to support growth and employment. Hence, a historically high level of growth in public investment has been planned.

Among those new projects announced are the maintenance of roads owned by the central government, maintenance of hospitals and improvements in the energy efficiency of the central government’s buildings. Investments in new hospitals, primary schools, day-care centres and centres for the elderly will rise in 2010. Furthermore, investments in infrastructure are set to be increased in line with the agreement on green transportation policy.

This bout of expansionary economic policy in Denmark is, to a large extent, temporary. In 2011, public investments are expected to decrease to a lower level after 2010’s considerable expansion.

Wage competitiveness has been deteriorating since the turn of the millennium due to relatively high wage growth combined with weak growth in productivity. The effects on wage competitiveness have been amplified by the strengthening of the effective exchange rate of the Danish kroner.

2. Overall construction activity

The Danish Construction Association has, as at February 2010, made forecasts concerning construction activity. This year’s public investment will increase due to growth-supporting policy measures. On the other hand, both residential investments and business investments...
are expected to fall. Hence, in 2010 the total output of buildings and civil engineering works is estimated to decrease by 8% (in real terms) after a fall of 10% in 2009 and a fall of 5% in 2008, having reached a peak in 2007.

3. Housebuilding

Starts of dwellings decreased from around 33,000 in 2006 to 16,000 in 2008 and 12,000 in 2009. A further decrease, to 10,000 in 2010 and 9,500 in 2011, is forecast. The price of dwellings fell markedly in 2008 and 2009 as a result of the very high supply of houses while the volume of houses sold was at a very low level. Now the housing market is showing signs of stabilisation. Hence, the very low interest rates especially on one-year adjustable rate mortgages will bolster demand. Therefore only a minor decrease in the private housebuilding segment is expected in 2010 and 2011.

Starts of dwellings with public grants have decreased to a very low level, but a rise is expected in 2010 and 2011.

Activity in rehabilitation and maintenance (R&M) works is decreasing especially as a result of the deteriorating asset position, credit constrains and rising unemployment. Hence, the general lack of confidence is causing homeowners to postpone rehabilitation works. In 2009, the reduction in residential investments was cushioned by the R&M scheme included in the government’s spring stimulus packages.

4. Non-residential buildings

In 2009, business investments in new buildings fell markedly due to the economic crisis. In 2010 and 2011 building starts for distributive and professional traders and for administrative buildings are set to decrease. Factory starts as well as agricultural construction are also decreasing. This is mainly a result of deteriorating international market conditions and credit constraints.

Construction of buildings for institutional, educational and cultural use will increase in 2010 due to expansionary fiscal policy.

5. Civil engineering

Employment in civil engineering works fell from 2008 to 2009 and is predicted to remain stable from 2009 to 2010. Site developments have fallen to a very low level, but investment in roads owned by the central government is rising.

6. Employment

Total construction employment decreased from 181,000 workers, participating masters and salaried employees in 2007 to 151,000 in 2009. The Danish Construction Association expects employment to fall to 139,000 in 2010 and to 136,500 in 2011. Hence, in 2011 employment will have fallen by 44,000 persons or by 25% from 2007 to 2011.
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1. Overview

In 2008 the Spanish economy followed a gradual downward trend posting an average growth rate of 0.9%, down 2.7% from a year earlier. As regards convergence, according to estimates, per capita income edged down 0.7%, which for the third year in a row was below the EU level (growth of 0.3%).

Analysing the most crucial factors affecting the Spanish economy in 2008, it should be noted that the adjustment process, which had started before the onset of the global financial crisis, intensified as a result of the collapse of the real estate market, higher raw material prices, the financial crisis itself and the tougher credit conditions that followed. Among the most far-reaching consequences is the inevitable economic slowdown in an unfavourable international context marked by high tensions in the financial markets persisting until the end of 2009.

In January 2010, a detailed analysis of the latest developments in the Spanish economy shows that indicators of activity, demand and employment point to a slowdown in the deterioration of the economic outlook, confirming that the most critical period in the crisis is over. However, there are signs that its impact in terms of employment and growth will take much longer to wear off.

The factors that set Spain clearly apart from the rest of Europe are mainly massive job destruction and a soaring budget deficit. To this should be added correction of some of the traditional imbalances that developed during the phase of Spain’s economic expansion such as inflation and its differential, a reduction in the external deficit, deleveraging of private debt and an adjustment in the housing sector. These adjustment processes stem in large part from the crisis itself, which intensified them.

There are signs of lower tensions and apparent normalisation in the functioning of money markets, although experts remain, to a certain extent, prudent in their short-term forecasts of market trends. In this respect, they point out that tackling the slump in business volumes and the rise in arrears has to be preceded by a downsizing of the financial system. Analysts have also responded positively to the setting up of the FROB (new mechanism created to support Spanish banking system), which they believe provides a basic tool for backing up the restructuring of the Spanish financial sector.

Given the high level of uncertainty existing at present it should be noted that projections point to a gradual increase in the rate of recovery but, in all likelihood, with a certain lag relative to the rest of Europe. Consequently, positive quarter-on-quarter growth is predicted for the start of 2010. However, according to many analysts’ forecasts net job creation will not resume until the end of 2010 and so a sizeable decline in unemployment will not be registered until the beginning of 2011.

According to figures published by the National Statistical Institute, in the 3rd quarter of 2009, for the 6th period running, GDP recorded...
negative quarter-on-quarter growth estimated at -0.3%, confirming a clear slowdown in its contraction against -1.1% in the 2nd and -1.6% in the 1st quarters.

A study of 3rd quarter figures for 2009 - quarter-on-quarter - also reveals a smaller fall in domestic demand, knocking 6.2% off growth compared with 7% in the previous period, and the external sector’s net contribution of 2.5%, down from 3.2% in the 2nd quarter.

A close analysis of domestic demand indicates that the pace of contraction of all its components slowed down, except public consumption. This process of moderation was slightly more pronounced in the dynamics of private consumption although in the last quarter it recorded a very negative growth rate, around -5%. As for investment, its decline during the period was even greater (-16.2%). Within this component, the decline in capital and other goods (-24.2%) and, to a lesser extent, that of construction (-11.5%) stand out.

During that quarter the external sector also showed signs of a certain change in trend, with exports and imports posting smaller losses in their negative rates as the year wore on. This translated into a weaker positive contribution of the external sector: 2.5% in the last period available.

The impact of the current crisis on the labour market is profound. According to National Accounting figures, in the third quarter of 2009 employment decreased by 7.2%, which implies a loss of 1.6 million jobs since early 2008, when the level was at the highest. All sectors suffered heavy falls, with construction, industry and, to a smaller degree, services bearing the brunt of rising joblessness.

2. Overall construction activity

According to estimates from SEOPAN, in 2008 the Spanish construction industry reached an output volume worth 193.4 billion €, down 5% (in real terms) on the year before. This figure puts an end to 11 consecutive years of expansion in the sector, which saw accumulated growth of around 75%. Thanks to that, the construction industry, valued in terms of its value added, had increased its share of GDP since 1997, reaching a height of 10.8% in 2006 and then sliding to 10.4% in 2008, which still far exceeds the euro zone’s average, an estimated 5.7%.

The share of construction investment in total investment dropped to 57%. This was related to the massive loss posted by the residential segment, compared with a limited retreat in the non-residential segment and a slower decline in capital goods.

The trend towards lower volatility in the sector’s activity rates referred to in previous reports went into sharp reverse over the course of 2008. In 2009 it grew higher and once again became a standard feature of construction activity, which in 2008 was also characterised by:

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**SPÄNNEN**
Reale Veränderungsrate im Vergleich zum Vorjahr in Prozent

**ESPAGNE**
Variations Volume de la production en % sur l’année précédente

**SPAIN**
Per cent variation of production in real terms on previous year

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• Gradual deterioration in housing demand, which started in 2007, resulting in a decrease in house prices;
• Continued dynamism of exports, both in terms of activity and contracting;
• Massive job destruction in the sector, close to 10%, and its intensification in the course of 2009.

According to NSI estimates for the 3rd quarter of 2009, construction value added registered a growth rate of -6.6%, which helps calculate an average rate of -6.5% against a fall of 1.3% in the previous year. This drop in activity stems from the continued decline in residential construction and, to a smaller degree, non-residential construction and is countered by the slight push still experienced by civil works.

Projections for 2010 envision a scenario of further contractions in activity estimating a growth rate of around -7%. This forecast is based on a continuation of the downturn, albeit at a slower pace than a year earlier, in the segments of new housing and non-residential construction. On the other hand, for the first time in 12 years growth in civil works is expected to be negative.

3. Housebuilding

A brief historical analysis of housing start figures (based on permits issued by associations of architects) reveals that in 1996-1998 350,000 new homes were started annually. Later, between 1999 and 2003 the number of new housing starts rose to 520,000. Driven by growing demand for years in a row this figure in 2006 reached 865,000, which is the height for the available data series. 2007 confirmed a change in the cycle of demand, with the number of starts decreasing to 651,000, while in 2008 the adjustment intensified causing it to drop further to 265,000. According to estimates, in 2009 this number will approach 110,000 (an indicator unknown in the available series first published in 1980).

In line with recent trends in activity, in 2008 this segment recorded a negative growth rate of 11.4%, for the first time over the last 14 years.

According to estimates, in 2009 the pace of the downturn will further deteriorate to -21.7%, but in 2010 it will probably ease off. As for the fall in housing demand, it is expected to steady during 2010, implying a level of close to 120,000 houses which should settle in the medium term at around 350,000 new homes.

These projections include an additional fall in the average house price, continued housing demand in the medium and long term for demographic reasons and a recovery in foreign demand and demand for second homes.

It is expected that growth in the segment of renovation and maintenance will also be negative but, like the year before, not of the same magnitude as in the new housing segment.

4. Non-residential buildings

The crisis in business activity had a dramatic effect on demand for private non-residential investment in 2009. A relative improvement is forecast for 2010 which, however, will not be enough to secure a sustained recovery.

With respect to public activity in the non-residential construction segment, a slight recovery is expected in 2009 maintained partly by plans of governmental assistance (Plan E: The State Fund for Local Investment), which will continue into 2010, albeit on a smaller scale. In any of the expected scenarios, the non-residential building segment will reach negative variation rates estimated at 4%.

5. Civil engineering

The civil engineering segment recorded positive growth in 2008, estimated at 4.5%. 2009 forecasts also refer to a still positive growth rate of about 2%. Once again, the importance of the State Fund for Local Investment as the driving force in this segment – with a pool of resources of 8 billion € – is to be underlined. Thanks to this fund, local authorities became the prime mover behind growth in 2009, compensating for the slimmer contribution from the central and, especially, regional governments. Projections for 2010 include a drop in activity due to the insufficient demand generated by public authorities and the cuts in the government’s plan for the stimulation of economic activity, which will finally have a budget of 5 billion €.

6. Employment and other quantitative indicators

The labour market confirms its special status although in the current business climate it is based on its massive deterioration. According to National Accounting data, in 2008 construction employed 2,375,000 people, down 15% from a year earlier. An even sharper fall (close to 25%) is forecast for 2009.

During 2008 the export operations of construction companies carried on growing fast, at an estimated 37%, with external turnover reaching 11.8 billion €. Their distribution by geographic area shows a consolidation of the European Union, with 71% of total turnover, followed by Central and South America (11%) and North America (9%). As for contracting, its volume also posted a noticeable gain, up to 18.5 billion €, with a rise of 67% and ensures external expansion in the immediate future. By zone, Europe continues in the lead with 55%, followed by North America with 16% and Latin America with 10%. Initial estimates for 2009 point to a continued export drive.
Cement consumption in 2008 amounted to 42.8 million tonnes, down 24% on the previous year. A decline of about 32% is forecast for 2009.

The volume of work ordered by public authorities in 2008 was worth 39.8 billion €, slightly below the level of 2007. An initial estimate for 2009 points to a small reduction in demand estimated at 1%.

Finally, it should be noted that, according to figures from the Ministry of Housing, the property market’s weakness led to a new fall in house prices, close to 7%.
1. Overview

Although the global recession has troughed and economic activity is recovering, growth rates are expected to remain moderate over the next few years. Economic activity in Finland fell sharply in 2009 and GDP decreased by 7% on the previous year. Due to the global recession, Finnish exports dropped about a quarter in 2009. Industrial output also decreased, by over a fifth relative to the previous year. Investment is expected to have decreased by 12%, because of weaker than anticipated investment in machinery and equipment. Activity in building construction also remained sluggish. Total consumption in 2009 diminished by 1% in real terms and private consumption by more than 2%. The number of employed decreased by 80,000 people in 2009 and the number of unemployed increased by over 50,000, the unemployment rate rising to an average of 8.5% last year. Consumer prices remained at the previous years’ level.

The downturn has now bottomed out in Finland and the economy is settling into a slow path of growth. In 2010, GDP will grow by 1% and accelerate to around 2.5% in 2011. The fall in private consumption expenditure came to an end last summer. The subsequent increase has covered a broad base, because, with the exception of semi-durables, consumption of all goods and services has grown. Consumer confidence has continued to improve since August 2009 with cuts in income taxation and the offsetting of higher social security contributions are boosting income to some extent. Consumption expenditure will increase somewhat in 2010 in volume terms though public consumption is virtually at a standstill. Job prospects will continue to deteriorate and unemployment is expected to rise to an average of 10.5%. Inflation is anticipated to remain moderate over the next two years. Wage earnings, which grew by 4% in 2009, will grow by less in 2010 and 2011. Finally, investments will further decrease in 2010 as capacity utilization rates in industry are very low. More specifically, investment in buildings continues to diminish.

2. Overall construction activity

In 2009, the total volume of construction output is expected to have decreased by 12%. The fall in the volume of new residential construction that started already in 2007 gained strength in 2009. Residential starts numbered 20,000 in 2009, of which some 10,000 were government subsidized. Construction in new building was about a quarter down in 2009 compared with the previous year, but renovation increased to some extent, partly thanks to existing stimulus measures. The volume of non-residential construction peaked in 2008 and thereafter turned into a sharp decline. New non-residential construction fell by some 25% in 2009 while all types of non-residential construction declined with the exception of public service buildings. Total new construction starts are expected to have declined to 30 million m³ or almost 30% less than in 2008. Investment in civil engineering experienced a dip and decreased altogether by 2%.
In 2010 total construction will decrease by a further 3%. New residential construction is expected to pick up slightly whereas the volume of new non-residential construction is continuing to decrease. Renovation, on the other hand, is anticipated to increase somewhat as resources are now available in abundance for this activity. Civil engineering will grow somewhat in 2010 (+1.0%).

3. Housebuilding

The volume of new residential construction declined for the 3rd consecutive year in 2009. Output of new build homes declined by 25% and altogether some 20,000 dwellings were started in 2009. The government has provided a stimulus to the severely hit construction sector by supporting housing output more specifically. The state subsidises so-called “ARA” production, which consists mainly of rental units in blocks of flats. It has been quite successful as construction companies and investors have again become interested in public sector activity, while private-sector work has contracted. The number of unsold finished homes peaked in the beginning of 2009 at some 4,000 unsold units; construction companies are cautious about launching new projects and therefore the output of privately financed housing started to contract markedly in late 2008, continuing through the first part of 2009.

Low interest rates and the positive signs of economic recovery are, however, spurring the demand for privately financed dwellings.

The consumer survey indicates that intentions to take out a home loan and buy a dwelling, which declined slightly from the middle of 2006, are trending up and consumer interest in mortgages is on the increase. Another sign of reviving housing markets is the rise in prices during the 2nd and 3rd quarter of 2009. The demand for housing also increased by continuous internal migration and increased immigration. Earlier population projections have been exceeded due to higher than expected immigration and birth rate.

As demand for ownership dwellings has weakened, interest for subsidised housing has recently increased significantly. The government has authorised more interest-rate subsidies for social housing starts and gives a 10,000 € investment grant per dwelling started. Building permits have been granted for about 12,000 subsidised dwellings, but all could not be launched by the end of 2009. Approximately 10,000 subsidised dwellings were started last year.

Residential rehabilitation and maintenance (R&M) as well as improvement work is increasing steadily in Finland. Studies estimate that these works will increase from 3 to 5% annually over the next ten years. Presently half of the housing subjected to renovation was built between 1961 and 1980 and a quarter between 1941 and 1960. The total volume of housing stock renovation will be increased over the next ten years especially by work on row houses and blocks of flats built in the 1970’s.

An important factor boosting residential repair is that households
can deduct 60% of labour costs from their taxable income for contracted R&M works carried out on their homes. Both spouses can make the deduction – the maximum amount is 3,000 € per year as of 1st January 2009. Renovation of residential buildings is also promoted by state subsidies granted for the renovation of dwellings of elderly and handicapped people, the elimination of health hazards, improvement of water supply, energy-efficiency, etc... However, lifts have not been installed in existing blocks of flats to the extent expected despite the availability of subsidies. Other support measures include a 10% subsidy for housing corporations (housing co-operatives, housing companies) intended for renovations commencing at the end of March 2010.

4. Non-residential buildings

The volume of new non-residential buildings stood about 50% higher in the record year of 2008 than in the early years of this decade. The levelling off of growth started to show, for instance, in new non-residential office and commercial starts already at the beginning of 2008 before the outbreak of the global financial crisis. The volume of new non-residential construction decreased by 25% in 2009 and in 2010 it is forecast to further decrease slightly.

In 2009, the volume of new commercial buildings declined by almost 40% on the previous year. Although there are still many projects in an advanced stage of preparation, the downward trend in building will continue also this year. Migration into growth centres and the building of new residential areas, along with favourable economic development, have been a big boost to commercial construction. The structural change of commerce has favoured different types of shopping and entertainment centres that house various types of commercial space on the outskirts of cities and in neighbouring municipalities. The quite low vacancy rates of commercial premises have attracted new investment also stimulating the interest of foreign investors.

The construction of office buildings increased rapidly from the beginning of 2006 – new starts increased by a multiple of 2.5 in a couple of years which was still reflected in the volume figures for 2008. The reason for this high increase was active buying by foreign property investors which in turn drove property developers to launch new projects. Presently, vacancy rates are high and rising as new office space is still being built. The volume of construction of office buildings meanwhile declined 30% last year.

Industrial building construction remained brisk in 2008 after four years of continued growth, doubling its volume following the dip early in this decade. In 2009 however, the volume of construction of industrial buildings declined 30% on the previous year. Industry’s capacity utilisation has fallen as both domestic demand and exports have dwindled and, for instance, the paper industry is reducing domestic capacity.

The growth trend in the construction of storage buildings has continued for almost 15 years. It has tripled the low starting volume to double the long-term average. By contrast, in 2009, the drop in the volume of construction was some 30%.

Industry and commerce have built local storage facilities, and the construction of different logistics hubs due to the structural change in the retail trade has been lively. The completion of the Vuosaari Port in Helsinki has given birth to logistics hubs and warehouses in the vicinity of the port and throughout southern Finland.

Construction of agricultural buildings has been quite brisk in recent years, growth largely due to the introduction of a new agricultural subsidy system. In the old system subsidies could be applied for at any time while the new system has a set time for application. In the new system certain administrative criteria must be met before applying for a subsidy, including acquiring a building permit. That is why this phase is beset by a backlog of subsidy applications and a deluge of related building permits. Agricultural construction is trending slightly downward. However, the structural change in agriculture toward larger units has fuelled demand for construction. Thus, the volume remained almost unchanged in 2009 but a peak can be expected in 2010.

Total new non-residential starts contracted in 2009 by altogether some 30%. In 2010, they are forecast to further decrease slightly.

5. Civil engineering

The volume of civil engineering decreased by 2% in 2009. The cyclical position in civil engineering continues to remain relatively good. Several major transport infrastructure projects are in the pipeline to replace those completed in 2008-2009. Government stimulus measures will further generate new investment in R&M. The weakening financial position of local government, however, will worsen the implementation of infrastructure obligations in urban planning.

The government’s budgetary decisions have launched several big civil engineering projects while expansion of the Helsinki underground network is also beginning. The effect of these projects will be seen mainly in 2010 and the years thereafter.

Several major projects are underway in the metropolitan area, such as the Helsinki Western Metro Line, the Ring Rail Line that runs via Helsinki-Vantaa Airport, Main Road 51 Kirkkonummi–Kivenlahti, the railway yard works in Central Pasila and Ilmala, and improvement of Ring Road I.

6. Employment and other quantitative indicators

Employment figures in the construction sector started to deteriorate in the fall of 2008 and worsened through 2009. Altogether some 175,000 people were employed in construction last year, 60,000 of them in building construction 22,000 in civil engineering and 93,000 in specialised construction activities. The number of jobs declined only by 5% last year, despite the marked drop in output. By sharp contrast, the unemployment rate almost doubled from the previous year and was approximately 12% in 2009 for construction.

The Ministry of Labour statistics shows that in 2009, the number of unemployed job-seekers also increased and averaged 19,500 people for the whole year.

The demand for cement decreased from 1.9 million tonnes in 2008 to 1.3 million tonnes in 2009, which was 31% down on 2008.
1. Overview

According to initial estimates, after a very slight increase of real GDP (+0.4%) in 2008, 2009 experienced a marked trend reversal with a contraction of -2.3%. The world economic crisis has seriously impacted France. Thus, total investment fell strongly (-6.5% versus +0.6% in 2008) and the unemployment rate reached 9.1%.

In 2010, the situation may slightly improve, with economic growth which should become positive once again (+1.1%). Nevertheless, total investment should again fall by 0.6% and the unemployment rate is expected to rise by 0.8% compared to 2008, to reach 9.9%.

2. Overall construction activity

According to estimates of the Fédération Française du Bâtiment (FFB), the building industry registered a decrease of 7.0% in volume terms in 2009. For reference, the level of activity had already declined slightly in 2008 (-1.2%).

New construction contributed towards this fall in 2009, with an estimated decrease of -12.5% in volume terms (versus -3.4% in 2008). This decrease concerns housing (-13.1%) as well as the non-residential sector (-11.7%).

For housing, construction starts and permits strongly decreased in 2009 (respectively by 22.5% and 21.5% over the year). Multi-dwelling buildings and individual housing have consequently diminished, in construction starts (-25.9% and -19.7% respectively) and permits (-27.5% and -16.2% respectively).

Concerning the new non-residential sector, the strong decrease registered during the 2nd half of 2008 (except administrative buildings) continued in 2009 because of the ongoing decline of the economic situation. The fall of construction starts is estimated at -15.8%, except for the agricultural sector (-21.6% including this sector), and at -13.0% for permits (-14.2% including agricultural buildings).

For the first time in many years, the overall rehabilitation and maintenance (R&M) market registered a decrease of 1.6% in volume terms, (versus +1.1% in 2008).

In public engineering, the Fédération Nationale des Travaux Publics (FNTP) forecasts a decrease of 6.3% in 2009. For the whole construction sector, the fall would therefore be -6.8%.

3. Housebuilding

In 2009, building permits strongly diminished (-21.5%). Construction starts registered a strong decrease too, by -22.5% over the year. Considering the usual lead times for construction projects, the drop, in output terms, is estimated by 13.1% in volume terms.

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1. Considering technical difficulties which have affected statistics of new construction supplied by the Ministry of Ecology, Energy, Sustainability and the Sea, figures detailed in this document have to be considered cautiously.
Concerning social rental housing, construction starts rose in 2009, with 77,000 dwelling starts in 2009 compared to 68,000 units in 2008. This trend should continue into 2010, with 86,000 construction dwelling starts forecast. In the meantime, the drop in the approval of “Zero Rate” loans continued (-10.0% in 2009 compared to -16.3% in 2008).

Following the strong rise of dwelling sales (+24.4% over the three first quarters in 2009 in comparison to the same period in 2008) especially due to the new “Scellier” facility for rental investment which has mainly been applied on stock, real-estate development should launch new projects in 2010.

Furthermore, the slump in single family houses has proved to be weaker than in multi-family buildings, either for construction starts (respectively by -19.7% and -25.9%) or for permits (-16.2% and -27.5%).

In 2010, the number of permits issued should rise by +4.1%, considering a recovery for multi-family dwellings (+5.6%) as well as single family houses (+3.0%). As far as construction starts are concerned, the increase should also continue in the 2nd half of 2010 (+7.2%), to reach almost 332,600 residences started. In output terms, after the strong decrease registered in 2009 (-13.1%), 2010 should also see a continued fall (albeit slower) with a -7.0% decrease in new housebuilding.

For 2010, the R&M housebuilding segment should see a slight increase of 0.7%. The maintenance of the reduced rate of VAT and provisions linked to the “Grenelle de l’environnement”, such as the “Zero rate eco-loan”, and to building accessibility should allow an upturn of R&M activity.

### 4. Non-residential buildings

Except for agricultural buildings, variations in the new build non-residential sector registered a decrease too: -13.0% for permits and -15.8% for construction starts.

After a slowdown of the industrial and storage buildings market in 2008, permits quickly fell in 2009 (-24.5%) and construction starts again registered a strong decrease (-17.9%). Nevertheless, the use rate of production capacity in the industrial sector has stabilised since the 3rd quarter 2009, after a steady decline after the end of the 2nd quarter of 2008. For 2010, permits for industrial and storage buildings should slightly increase (+1.0%). The fall in construction starts should slow compared to 2009 and reach near stabilization (-0.3%). In 2010, output should still decrease by 6.1% in volume terms.

Having shown resilience during 2008, the office construction market fell in 2009, with a -17.1% drop in the number of permits issued. It was also the case for construction starts which registered a marked decline (-26.3%). For 2010, the trend should still decrease with -22.4% predicted for permits and -6.5% for construction starts. Thus, output volume should continue to decline in 2010 (-14.6% in volume terms).

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Since 1st October 2007, the field of agricultural buildings listed has been changed. Observations made on this market have to be read with caution. Considering this aspect, the drop should continue in 2009 for permits (-27.6%) and construction starts (-46.3%). Another decrease of permits (-13.4%) and construction starts (-54.0%) should occur in 2010. In output terms, the fall should also be significant in 2010 (predicted at -40.0%).

Considering the reform of commercial planning rules in the context of the “Loi de modernisation de l’économie” at the end of 2007, permits for shops and garages dropped at the end of 2007 and at the beginning of 2008. Consequently, in 2009, permits in that market “artificially” rose by 4.1%. By contrast, construction starts of shops and garages already registered a decrease in 2009 (-6.9%). Initial analysis shows that the number of issued permits should begin to drop in 2010 (-16.4%). Construction starts, should continue their downward trend, though to a lesser extent (-1.8%). Consequently, a near stabilization of works carried out is expected in 2010 (+0.1% in volume terms).

Construction of public buildings increased in 2009 in terms of permits (+4.2%), but, by contrast, construction starts, declined (-10.9%). However, this market should benefit from the compensation fund on VAT in favour of local authority investment. Hence, permits and construction starts should register a rise (respectively +6.9% and +5.0%). In output terms, the volume of works for public and local authorities should again fall in 2010 (-3.3%).

All in all, in 2010, non-residential new build output should decrease by about -7.4% in volume terms.

In 2009, non-residential maintenance is estimated to have decreased by -1.7%, in spite of the good performance in the public buildings market (+1.1%). The marked fall in private sector maintenance (-3.1%) contributes towards the overall trend.

In 2010, the non-residential maintenance segment should stabilize (+0.3%), thanks to a more considerable increase of works from public and local authorities (+2.6%) and a slowing fall in orders from private sector (-0.9%).

6. Employment and other quantitative indicators

Over the first three quarters 2009 compared to the same period in 2008, salaried employment in building activity decreased by 1.9% over the year, namely about 25,000 jobs lost. Moreover, temporary employment registered a marked fall over the same period with 21,000 fewer jobs (equivalent to full-time jobs). All in all, building activity should have shed around 50,000 employees in 2009, versus 90.5% in November 2008. Besides, after the strong fall-back in order books throughout 2008, its level seems to have stabilized since the beginning of 2009, those been passed from 5.5 months to 4.6 months, on average for the overall building firms.

Excluding the new “self-building contractor’s statute”, the number of firms set up in the construction sector registered a decrease by -32.1% over the ten first months of 2009 compared to the same...
period in 2008. Insolvencies, combined between October 2008 and September 2009, rose by +18.8% compared to the same period the year before. On average, it represents about 1,260 insolvencies per month (between October 2008 and September 2009), compared to 3,400 set ups per month, on average in the same period, except for the “self-building contractor’s statute”.

For prices of new housebuilding, the ICC index registered a 1.9% fall during the 1st half of 2009 compared to the same period in 2008; prices for housing maintenance increased by 2.2% during the same period. Thus, growth in average prices reached +0.2% during the 1st half of 2009. For the whole of 2009, the average of these prices should have decreased by 1.5%. The price of steel products for construction recorded a very steep fall, (-26.8%) over the ten first months of 2009 (compared to the same period in 2008). This falling rate is nearly equivalent, in absolute value, to the rise observed during the same period in 2008 (+24.4%).

Furthermore, these cost downturns cannot hide the current risk of a speculative bubble appearing on raw materials prices. In fact, at the end of 2009, a large part of these prices had recovered their 2008 high level, without any matching rise in demand. Thus, a speculative phenomenon seems probable on these markets. It should have a deleterious effect for building contractors, while customers’ solvency requires a moderate fall in prices. This situation is principally explained by the weakness of the dollar; hence, the traders have over-bought raw materials in order to protect themselves against the risk of inflation.
1. Overview

The 2009-2013 Hellenic Stability and Growth Programme is based upon a set of common external assumptions. The assumed gradual improvement in economic and financial conditions co-exists with considerable uncertainty with regard to both the strength and timing of the recovery.

The programme aims at enhancing the Greek economy’s growth and development potential by accelerating the shift to an investment- and export-led growth paradigm in areas reflecting the country’s comparative advantage, thus dealing effectively with the economy’s productivity and competitiveness challenges. The aim is to attract and retain foreign and domestic investment by effectively mobilizing domestic and external resources, including those under the EU Structural Funds, by effectively addressing existing market distortions, and by dealing with issues of governance, transparency and accountability in a sustainable way.

The economic contraction was severe for the Greek economy during the course of 2009. Cyclical and structural factors contributed to the substantial decline in growth in the first three quarters of the year. Additionally, given the limited fiscal room for manoeuvre, temporary sectoral measures undertaken in early 2009 could not offset the upcoming economic downturn.

The delay in the reaction of the Greek economy could be attributed to the time lag required for the crisis to spread from central European economies to the EU periphery, as well as to the economy’s small size and its relatively limited dependence on trade. Nevertheless economic developments in 2009 were driven by the adverse export performance, in particular, the pronounced decline in transport and tourism receipts, the constrained credit expansion towards businesses and households, reduced foreign investment activity, and a drop in confidence, which was also influenced by budgetary developments and the increased gross debt financing needs.

During the first three quarters of the year, output dropped by 1.1% compared to 2008. On a yearly basis, real GDP declined by 1.7% in the third quarter of 2009, and by 0.4% compared to the previous quarter. Gross fixed capital formation at constant prices declined by 18.6% on a year-to-year basis in the 3rd quarter, which comprised a 22.5% contraction in investments in the housing sector, 21.3% in machinery, and 19.1% in transportation equipment. During the first three quarters of 2009, investment growth worsened continuously, declining on average by 10% compared to the previous year.

Total consumption expenditure at constant prices increased by 1.1% in the 3rd quarter of the year compared to 2008, driven by a 9.4% increase in public consumption, while private consumption expenditure declined by 0.8% on a yearly basis. In the first three quarters of 2009, public consumption increased on average by 10.9% on a yearly basis, whereas private consumption contracted on average by 1.1%, though gradually improving in the 3rd quarter.

The deterioration in the external sector was evident in the exports of goods and services. Income from services exports dropped significantly by 22.3% in nominal terms during the January-October period, while goods exports were also reduced by 17.9% in the January-September period. On the import side, a 31.4% reduction in imported goods and a 17% contraction in imported services occurred in the same period. Overall in the first three quarters of the year the downturn in the external sector was significant, thus improving the external balance.

Labour market developments include the rise in the unemployment rate to 9.3% during the third quarter of 2009 from 8.9% in the second quarter of the year. Due to the recession affecting the Greek economy, inflationary pressures were significantly curtailed and hence, the CPI increased by 1.2% in the first eleven months of 2009.

In light of these developments, real GDP growth is estimated at -1.2% in 2009. The drop in output mostly stems from the negative contribution by 6.1% of the previously robust growth in domestic demand. Hence, private consumption expenditure is estimated to have declined by 1.5%, while a further significant decrease by 18.8% is anticipated for investment growth. The decline in gross fixed capital formation reflects a substantial decline by 25% in investment growth in equipment and a further contraction in the construction sector by 13%. The latter, in turn, reflects a 22% reduction in housing sector investments.

The drop in investment is mostly apparent in the private sector; nevertheless general government fixed investment growth is also expected to remain negative for a second year. On the other hand, public consumption expenditure is estimated to have increased by 11% in 2009 from 0.6% in the previous year.

In the external sector, unfavourable economic conditions and reduced trading volumes among EU member states have taken a heavy toll on the shipping and the tourism sectors. Exports of goods and services in 2009 are expected to have declined by 16%, reflecting a 12% reduction in goods and a 19% drop in services’ exports. On the other hand, the marked contraction in the relevant components of domestic output growth is expected to lead to a decrease in the volume of imported goods and services by 24.7%, stemming from declines of 27% in imported goods and by 17.3% in imported services. Overall, the external sector is estimated to have made a positive contribution to the growth component by 4.95%.

Inflationary pressures were substantially lower compared to 2008 levels driven by the adverse domestic and external economic developments. The GDP deflator is estimated at 1.6% and the private consumption deflator at 1.2%. Escalating pressures in the labour market are likely to increase the unemployment rate by 1.6% compared to the previous year, reaching 9% in 2009 (on a national accounts basis). Total employment is expected to decline by 1.1%. Notwithstanding the wage freeze in the public sector, compensation per employee is expected to grow by 5.7%, down from 5.9% in 2008.

In 2010, the Greek economy will remain in recession, with real GDP expected to drop by 0.3%. This is identical to the European Commission’s estimate for 2010, as contained in its autumn 2009 forecast.

Prospects 2010-2012

The improved economic prospects compared to the beginning
of 2009 are partly attributed to external economic conditions, favouring the Greek external balance, as well as to a number of legislative measures adopted within the year aiming to stimulate economic growth. The latter will be supported by the accelerated implementation of the National Strategic Reference Framework’s specific actions and public investment. In addition, further structural and institutional changes are expected to alleviate the strains to credit-constrained businesses and households, as well as support economic competitiveness by promoting an alternative production and growth model, underpinned by “green economic development” actions aiming at a sustained supply side response.

In the medium term, real output is expected to rebound, growing by 1.5% in 2011 and by 1.9% and 2.5% in 2012 and 2013 respectively. In contrast to the Greek economy’s growth record from 2003 to 2008, it is notable that, for the period 2009 to 2012 inclusive, expected GDP remains below the economy’s potential level. The latter is determined on the basis of a harmonized output function methodology developed jointly by the European Commission and Member States, which links the available quantities of capital and labour with estimates of the trend in the economy’s total factor productivity. In other words the forecast period to 2012 inclusive is characterized by successive negative output gaps, with the output gap expected to turn marginally positive only in 2013.

The latter developments will be supported by increased private consumption expenditure, increased investment and reduced public consumption, in line with the fiscal consolidation commitment. In particular, private consumption expenditure is expected to decrease by 1% in 2010, and grow moderately by 0.7% on average in the medium term. The gradual rebound in private consumption reflects the restoration of consumer confidence; and the limited effect on aggregate consumption demand of the policy measures undertaken, including with regard to public sector wages (as the reduction in entitlements is concentrated on high-earners, who have a lower marginal propensity to consume).

The 2009 budget presented in November 2008 projected a general government deficit of 2% of GDP, based on the achievement of the unrealistic target of increasing tax revenues by 20.5% in the most acute year of the crisis: 2009. This deficit estimate was soon revised upwards to 3.7% of GDP when the Updated Stability and Growth Programme was submitted to the Commission in January 2009.

According to the 2010 budget, the general government deficit is planned to be reduced by 3.6% from 12.7% of GDP in 2009 to 9.1% in 2010. However, the SGP adopts the more ambitious target of reducing the general government deficit by 4% to 8.7% of GDP at the end of 2010. After the wide deviation of the general government deficit recorded in 2009, the reduction in 2010 can be achieved only through a committed and strict implementation of the budget.

The shift towards “green growth and development” constitutes a major priority for the country, given the need to address the challenges of climate change and the country’s unexplored potential in renewable energy development. This priority is tied with the strategic decisions to invest heavily in energy-saving technology and renewable energy resources so as to transform the energy mix by 2020, to strengthen trade openness and to upgrade the quality of both products and services in a number of traditional and modern sectors, including transportation, telecommunications, port facilities, tourism and land development, culture, the agro-food industry, ICT and biotechnology.

These priorities, in combination with the exploitation of supporting growth factors, constitute a growth strategy based on the principles of sustainability cutting across all sectors of activity. Its effective implementation also requires important public investments in supporting activities including education, research, innovative entrepreneurship and management of natural resources.

2. Overall construction activity

During the period from January to October 2009, building activity (private and public), in the whole country, measured on the basis of building permits issued, amounted to 46,397 building permits, which correspond to 10.6 million m² of surface and 40.4 million m³ of volume. Thus, there was a decrease in the number of building permits by 15.6%, in surface by 25.5% and in volume by 26.9%, compared to the same period of 2008.

As concerns private building activity in the whole country, during the period from January to October 2009, there was a decrease in the number of building permits by 15.8%, in surface by 27.1% and in volume by 28.8%, compared to the same period of 2008.

The percentage contribution of public-sector building activity in the total building volume for the above period of 2009 was 4.3%.

Public Investment Program (PIP)

Investment conditions are expected to improve compared to 2009, in line with economic policy measures undertaken to support entrepreneurial activity and boost investor confidence. In 2010, gross fixed capital formation is expected to decline further by 1.6%, reflecting a 5% decline in investment in the construction sector, which mostly stems from a further 15% drop in investment in housing.

Nevertheless, favourable conditions in private expenditure are expected to gradually boost investment in equipment by 1.5% in 2010, and by 6.7% on average in the period from 2011 to 2013. The turnaround in investment activity will mostly stem from the public sector, where investments undertaken are expected to grow by 6.9% in 2010, compared to a 3.4% decline in the private sector investment growth in the same period.

In the medium term, public investment will grow moderately, pointing towards a forward implementation of the planned investment activity supported by EU structural funds. Investment in the private sector is expected to grow by 5.7% on average in the period 2011 to 2013, reflecting favourable external and domestic economic conditions.

Within the next four years, Greece will also improve and facilitate the implementation of the Partnerships Law (L 3389/2005) for developing, constructing, operating and financing projects across various sectors.
It is also expected to enhance coordination and make greater use of the Partnerships Law to implement a growing number of projects presently treated under different legal frameworks depending on the payment mechanism employed (end user tolls or availability payments). This would enable the Greek government to exercise more efficient control of planning and implementation of projects, to ensure more efficient and transparent procedures, and better coordinate, streamline and effectively use a range of complementary financial instruments, including the Structural Funds and European Investment Bank financing.

3. Employment

The impact of the two-year recession will be heavily reflected on labour market indicators. Total employment is expected to decline by 0.5% in 2010, with a further decline of 0.3% in 2011, while an average increase of 0.5% is expected in the 2012-2013 period, mainly stemming from a reduction in public sector employment.

Employment will be supported by economic policy measures providing incentives to support job creation in the private sector, entrepreneurship and the exploitation of opportunities after the economic downturn.

Nevertheless, the unemployment rate is expected to increase to 9.9% in 2010 and reach 10.5% in 2011 and 2012, with a slight reduction to 10.3% in 2013. These developments are bound to have an impact on wage formation, leaving the growth in real compensation per employee broadly unchanged in the medium term at 0.5% on average. Hence, real unit labour costs are expected to grow moderately by 0.2% in 2010, and decline by 1% in the period from 2011 to 2013.
1. Overview

The global recession caused by the economic crisis reached its low point at the middle of 2009. During the 2nd half of the year, the major economic indicators fell to a lesser extent than previously had been the case in the well-developed regions of the world.

As regards the performance of the Hungarian economy, only traces of the upturn in the international economic climate are, as yet, perceivable. The rate of contraction only began to slow in the 3rd quarter of 2009, and this was the first fall in since the 4th quarter of 2008. As a whole, gross domestic product fell 9.6% in 2009.

Hungarian export-oriented industrial output, which reacts very quickly to foreign market developments, has fallen below the level of four years earlier after the crash occurred in the 4th quarter of 2008. During the 1st half of the year, output was stagnant at this low level, however, in the 2nd half of the year some improvement could be observed. A similar trend appeared in sales and in the foreign trade.

Nevertheless, at the same time, numerous important indicators still show an unfavourable even worsening situation. These include, among others, figures for employment and unemployment, real salaries, as well as retail turnover and entertainment.

The added value of commodity producing sectors (agriculture, industry, construction industry) has diminished by 15.4%. Within this, the decrease in the added value of the construction industry now shows a lower rate (3.2%). The level of retail consumption is likely to continue to decline (about -1%).

In 2009 the annual average consumer price index was 4.2% while in the 1st half of 2010 the price increase rate will remain between 4 to 5% and will drop to around 3% only from the 2nd half of the year. So the annual average will be 3.5%. In 2011, the rate of inflation might reach a level below 3%.

Owing to behavioural change forced by the crisis, the Hungarian external balance improved spectacularly in 2009. Notwithstanding that the balance of trade surplus will decrease this year owing to the slight increase in domestic demand, the surplus of the balance of payments on the current account will remain, as withdrawals from the income will not grow suddenly owing to a decrease in profits. Nevertheless, utilization of EU transfers will accelerate. Thus the balance of payments on the current account and the current capital balance will be closed – after a deficit of 6.6 billion € in 2008 – with a surplus of 2.8 billion € both in 2009 and 2010. The improvement will yield some 10 billion € and so the external indebtedness of the country will be considerably reduced.

In 2010 the economy is forecast to stagnate and its external balance looks set to show a similar surplus to the previous year. The state budget deficit proportional to GDP is likely to be around 4 to 5%.

2. Overall construction activity

After consistent growth in previous years and then after a minor decline in 2006 and a steep fall in 2007 and 2008, the construction industry remained in recession in 2009. The volume of construction industry output lagged behind that of the previous year by 4.3%.

The sector has seen a spectacular split, in particular, while the civil engineering output was up by 6.2%; that of building construction has slumped (-12.6%). The fall in construction of buildings was the consequence of the decrease in housebuilding, commercial and office buildings while the growth of construction of other structures is attributable mostly to the construction of roads and motorways.

 Among the various segments of the construction industry, specialized construction works, which are mostly represented by assembly (installation works) and specialized finishing works, and which make up half construction industry output, declined dramatically by 15.7%. The output of the building construction sector – including organization of building construction projects and the building of complete works – fell by 3.5%. Output of other infrastructures – roads, pipelines, etc. - grew by 16.6% compared to 2008.

The volume of the contract portfolio of construction businesses as at the end of December had increased considerably, by 23.5% compared to the previous year. Within this, the volume of the contracts concluded for the construction of buildings and infrastructures grew by 16% and 30.5%, respectively.

However, the volume of new contracts concluded in December 2009 was 16% lower than in the previous year, including those concluded for the construction of buildings and infrastructures, the volume of which was respectively 1.8% and 25% lower than that of the contracts concluded in December 2008. The considerable decrease reflects the high base impact of large-value contracts concluded for the construction of roads, pipelines and railways in December of the previous year. As regards the contracts already concluded it is still the state infrastructure extension programme which reflects some demand for the sector.

3. Housebuilding

In 2009 the number of units built continued to decrease. During the year 32,000 occupancy permits and 28,400 new building permits were issued. The number of occupied units and of new permits was respectively 11% and 35% lower than in 2008. The number of new permits for homes diminished in all types of dwellings and in all counties. As a consequence of the decline in building demand, the number of building permits for dwellings in 2009 was the lowest of the last 11-year period. As evidenced by quarterly figures, the decline occurred gradually during the year: in the 1st and the 4th quarters, respectively 12% and 54% fewer new permits were issued than in the same periods of 2008. It is an unprecedented trend that most new permits were issued in the 1st half of the year and only 28% in the 2nd half.

The number of units occupied grew by 15% and 18% respectively in the 1st and the 2nd quarters, compared to the same periods of 2008. In the following quarters, it fell respectively to 23% and 24%. The decline could be observed first of all in retail construction: one-fifth fewer units were built upon the order of natural persons and the number of units built for own purposes decreased in the same proportion. The number of units built by contractors and of those intended for sale were slightly down by 3%. In 2009 most units were built by undertakings (51% of all units).
The intensity of the municipalities’ housebuilding activity exceeded that in the previous year, but it still represented fewer than 200 units and those were built almost exclusively in Budapest (94%). Construction intended for renting activities almost doubled and the three builders’ groups (households, undertakings and public authorities) took a share in the construction of the 580 new tenement flats. It reflects the beginning of a favourable tendency since in Hungary the number of tenement flats does not reach even 10% of the total number of residential units, lagging far behind the European average. The narrowing market opportunities probably highlighted the importance of tenement construction. This form of housebuilding may even come to be a feature of the next decade in the Hungarian housing market. Namely, a 6% increase in the current tenement portfolio would require the construction of 250,000 new units.

As concerns the mode of building, the most apparent trend is the decreasing proportion of domestically built homes, the number of which is 38% less compared to the previous year. As 4,100 new units were built in this way, its proportion has fallen to 13%. The average size of new units is 89 m², which is just slightly smaller (1 m²) than the 2008 average. As concerns the regional distribution of construction works, the role of Budapest continued to strengthen, representing one-third of national housebuilding.

4. Non-residential buildings

Construction of non-residential buildings decreased to a smaller extent to that of residential buildings. The largest fall could be observed in the construction of commercial and office buildings.

According to new building permits issued, 3,360,000 m² of non-residential buildings are planned to be built, reflecting a 26% decrease compared to 2008. Among non-residential buildings, the total useful area of agricultural buildings and industrial buildings intended to be built is more than 40% less and that of office buildings is more than 10% more than in the recent period.

5. Civil engineering

Contrary to the decline in the construction of buildings, the growth of infrastructure construction starting from the 2nd half of 2008 continued until the end of the year; its output was 6.2% higher than in 2008.

Growth was attributable to the construction of motorways and other highways, the new Line 4 of the Budapest underground system, pipelines and railway reconstruction. The volume of construction and reconstruction of motorways, roads, bypass roads relieving traffic from town centres, and related structures has considerably increased.

Wastewater treatment projects in small settlements, water line reconstruction works, as well as telecommunications and IT improvements and developments all contributed to the increase in output. Within the 23.5% increase in the contract portfolio of construction companies compared to the previous year, the increase in the volume of contracts for infrastructure increased by 30.5%. However, the volume of new contracts concluded in 2009 was down by 9.2%, as a result of the high base impact of large-value contracts concluded for the construction of roads, pipelines and railways in the previous year.

It is expected that civil engineering will remain the key sector of the construction industry owing to EU-financed infrastructure development projects into 2010.

6. Employment and other quantitative indicators

In line with the extension of production, the Hungarian construction industry was characterized by increasing employment from 2000 to 2007. In 2008, this growth stalled. On the back of diminishing output, the construction employment rate fell by 7.5% in 2008.

According to the data of businesses with more than 5 employees, the number of employed workers in the construction industry amounted to about 222,000 people in 2009, compared to 235,000 people in 2008. Total employment in the construction industry experienced a fall of 19.1% in 2009.

As a result of oversupply on the labour market, gross salaries are expected to barely grow (by only 1%). Notwithstanding that minimum wages have increased by some 3%, many companies will not be in a position to increase wages. By and large, real incomes are stagnating because employment will continue to decrease, less assistance will be given to the unemployed, “cafeteria” benefits will be reduced due to taxes levied on them.

In 2009, the average gross salary of employees in the construction industry grew very slightly (by 2%) but workers of the construction sector are still those earning the lowest average salary among the various sectors of the national economy.

In 2009 the producer prices in the construction industry were 3.1% higher on the average than in 2008. In the 4th quarter of 2009, prices were up 1.6% compared to the same period of the previous year. Construction industry prices were down 0.1% compared to the 1st quarter.
1. Overview

The Irish economy continues to experience a serious erosion of activity and confidence on the domestic side. In addition, the very major ongoing restructuring of the Irish banking system brings its own challenges, in the near-term, for the economy, while attempts to stabilise the public finances, which are showing signs of bearing fruit over the medium term, are having the effect of further depressing activity levels, particularly in construction which is hugely dependent on public investment.

2. Overall construction activity

The Irish construction industry is undergoing a significant downturn, with output in 2010 expected to fall to 13.5 billion €, from 20 billion € in 2009, 30.4 billion € in 2008 and 37.2 billion € in 2007. At the heart of this decline lies a significant deterioration in the residential and commercial property markets linked to ongoing shortages of credit within the Irish economy, a continuing fall in national output and ongoing concerns about the security of incomes and, indeed, employment. Increasingly, there are also signs of the government reducing expenditure on infrastructure, which, at a time of severely constrained private investment, is informing the dramatic loss of activity in the industry.

3. Housebuilding

At its peak in 2006, when housing completions amounted to 88,000 units, output per capita in Ireland was 21 units per thousand inhabitants, which compared to a European average of just 5.6 at that time. Since then residential construction activity has declined markedly in Ireland, with completions likely to amount to just 10,000 in 2010. There is every chance that the figure could in fact be lower. 10,000 completions next year would amount to 2.7 units per thousand inhabitants while the European average in 2010 is expected to be 3.1. On these figures, Irish housing output will be the fifth lowest in Europe on a per capita basis in 2010.

4. Non-residential buildings

Concerning private investment, the pipeline of projects which usually ensures a steady supply of work has now dried up. Work which is being undertaken in 2010 is a consequence of contracts entered into in 2008 and 2009. With few new contracts being signed in 2009 and fewer still expected in 2010, the forecast is for declines this year and next. One note of optimism relates to the pricing adjustment that has taken place, significantly impacting value in commercial property, and prompting increasing investor interest from abroad.
The Government’s public capital investment programme is likely to amount to 5% of GDP in 2010, with particular focus on school building, an area experiencing a significant accommodation shortage in light of Ireland’s youthful demographic profile, as well as investment in health and in public buildings.

5. Civil engineering

The completion of the inter-urban motorways programme in 2010, and uncertainty around replacement projects, will significantly erode both the value and volume of output in the civil engineering sector over the 2nd half of 2010 and into 2011.

6. Employment

As a result of this overall situation, employment in construction is falling significantly and at great cost to the Exchequer (Treasury). At its peak, the industry directly employed 283,000 people (12% of total employment) with an additional 40% working indirectly in services which support the sector. Construction employment at the end of 2010 is likely to be around 130,000 people.
1. Overview

The Italian economy, along with those of the most industrialised countries, experienced a sharp contraction in 2009 affecting both domestic demand and foreign trade. ISAE estimates a 4.9% fall of GDP for 2009 in real terms, compared to the previous year.

According to estimates from the Italian Institute for Studies and Economic Analysis (Istituto di Studi e Analisi Economica - ISAE), household consumption declined by 1.7% compared to 2008, due to tighter consumer credit conditions, as well as to growing concerns over labour market developments. Investment in fixed capital declined by 12.7% and exports declined by 18.8% from 2008.

Available data for 2010 signal a limited improvement in GDP. The major impulse to recovery is forecast to originate from foreign demand, while a more modest increase is expected in domestic demand. According to ISAE forecasts, GDP in real terms is set to increase by 1.0% in 2010 from 2009, basically in line with the other countries in the eurozone (+1.1%).

The construction sector has been deeply affected by the steady deterioration in the real economy and by credit restrictions. The sentiment of companies in the sector reveals serious concerns for the progressive reduction of activity levels and the gradual shrinking of order portfolios. Based on the results of the snapshot survey carried out in September 2009 by the National Association of Italian Constructors (ANCE) of its associated companies, construction investments dropped by 9.4% in real terms in 2009 from 2008, while already having declined (-2.3%) from 2007. ANCE predicts a further drop in 2010 construction investments by 7.1% in real terms compared to 2009. The expected decline, despite being less severe than the one registered in 2009, will still be significant.

2. Overall construction activity

The construction sector suffered a substantial decline of output levels in 2009. According to ANCE estimates, construction investments (amounting to 143.76 billion € in 2009) dropped 9.4% in real terms. The decline involved all activities to different degrees of intensity.

The division struggling the most was new housebuilding (-19.0% in 2009 on 2008). The private non-residential building division presented similar difficulties (-10.0% in 2009 on the previous year), while investments for house renovation and maintenance experienced a more...
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Reale Veränderungsrate im Vergleich zum Vorjahr in Prozent

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ItALIE
Variations Volume de la production en % sur l’année précédente

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ITALY
Per cent variation of production in real terms on previous year

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The most complex component of activity on existing buildings is represented by extraordinary maintenance and redevelopment, accounting for approximately 32% of the sector’s total output. Moreover, ordinary maintenance accounts for roughly 25% of the figure for total output. Hence, extraordinary and ordinary maintenance activities together represent approximately 57% of total output in the sector. Investments in civil engineering, which were expected to have behaved anti-cyclically, instead declined by 8.1% in real terms on the 2008 level.

ANCE’s 2010 forecasts suggest that the contraction in the sector’s output volume will continue but at a reduced rate: the estimated drop in construction investments, in the reference period, is -7.1% in real terms on 2009.

In the period 2008-2010, the construction sector will have lost approximately 18% in investment volume. More specifically, new housebuilding will have lost 30% within the same period; civil engineering has been contracting for a longer period and in 2010, investments will be 23% lower than what they were in 2004.

Basically, following nine consecutive years of positive sector growth, output levels are now back to those observed in the late 1990’s.

One of the obstacles to sector recovery is represented by the credit market that is still particularly tight towards firms and households. In fact, ANCE associated companies report a critical situation. According to the result of ANCE’s September 2009 snapshot survey, approximately 45% of associated companies are experiencing difficulties in accessing credit; the percentage is higher than the European average (approximately 41%, according to a sample analysis by the European Central Bank).

The Italian government has launched a set of measures to fight the crisis. In particular, a measure concerning the construction sector and aimed at the recovery in activity is named “House Plan 2” (Piano Casa 2). The plan grants households the option of increasing the volume of their existing residential buildings as long as they are in the one-family or two-family categories and/or are within a volume of 1,000 m². The plan also provides for the possibility of enlarging existing non-residential buildings and carrying out extraordinary demolish-and-rebuild activity with a volume bonus for existing residential and non-residential buildings. The “House Plan 2”, which was launched to spur recovery in the sector, is not delivering the much hoped results and any substantial impact on output levels is only expected to occur in the medium-run, in 2012 and 2013. The anti-cyclical function of the House Plan has, therefore, failed to materialise.
3. Housebuilding

ANCE estimates a 9.5% decline in real term housebuilding investment in 2009, compared to 2008. Such a decline is due to the significant drop in new construction (-19.0%) and to the simultaneous, although milder, fall in redevelopment for housing purposes (-1.0%). The decline in new housebuilding investment can be ascribed to the slowdown in demand, now following a process of downward adjustment, after several years of sustained growth.

For 2010, ANCE expects a further decline of investments in new housebuilding (-4.7% in real terms) and a modest increase in redevelopment for housing purposes (+1.0% in real terms).

4. Non-residential buildings

Investment in private non-residential building decreased in 2009 by an estimated 10% in volume, due to the adverse general economic conditions, weak domestic and foreign demand, and to the high level of unused productive capacity. ANCE expects a further decrease of output activity in 2010, with a 14.4% real term drop in private non-residential building.

5. Civil engineering

ANCE estimates that, in 2009, investment in civil engineering fell by -8.1% in real terms on the previous year. This estimate confirms the negative trend started in 2005 (-2.9% in 2005 from 2004, -3.0% in 2006, -2.9% in 2007, and -5.1% in 2008). According to sample analysis by the Bank of Italy, the most important determinants causing the negative trend in the civil engineering sector are a sluggish system for the allocation and payment of resources, administrative difficulties at the local level, and tight access to credit. ANCE's forecast for 2010 signals a further -3.9% decrease in civil engineering investment in real terms compared to 2009.

The negative trend characterising the civil engineering division is the result of a systematic reduction of public funds for new infrastructure, as provided for by successive budgets over the last few years. The 2010 budget envisages a 7.8% real term cut from the previous year in the resources allocated for new infrastructure. Such a spending cut adds to that already made last year, when public investment fell by -13.4% compared to 2008.

The negative trend is also explained by the relatively low efficiency of public spending: the implementation of the government plan approved in the 2nd half of 2009, totalling approximately 11 billion €, is proceeding quite slowly. This is definitely the case of the 2.4 billion € allocated to the set of medium and small works that, if more efficiently spent, could provide support more rapidly to the construction sector.

6. Employment

The fall in Italy's level of output registered in 2009 has inevitably affected the labour market. Companies have made widespread use of redundancy payments to deal with the effects of the financial crisis and economic downturn; moreover, working hours have been managed more efficiently, significantly reducing overtime and providing incentives for leave of absence and paid vacations.

The employment volume in the construction sector declined sharply in 2009. ISAE estimates an employment contraction in the sector exceeding that of the entire economy (-3.4% from 2008, compared to -2.5% for the entire economic system). The contraction in the labour market solely concerned employees with an estimated fall of 5.6% in 2009 (+0.3% for self-employed workers).

The forecast for 2010 remains gloomy, despite the relatively rates of decline compared to last year. ISAE predicts a 1.6% drop in construction sector employment for 2010 (-0.6% for the rest of the economy). According to ISAE, the gradual improvement in the economic situation, which is expected in the current year, will only partially affect 2010 employment dynamics – partly because of the negative “dragging effect” from 2009, and partly because of the delayed adjustment of employment following economic shocks. The positive effects of a wider recovery on employment will, presumably, appear only in 2011.
Investment in construction

(1997=100)

- Logement - Housebuilding - Wohnungsneubau
- Non Résidentiel - Non residential - Nichtwohnbau
- Génie Civil - Civil Engineering - Tiefbau
- Total Construction - Bauwesen
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1. Overall construction activity

Activity in the construction sector picked up in 2008 after having declined the year before. Gross value added rose by 5.1% and contributed 0.2% to nominal GDP growth.

In terms of income earned by the sector, it was the profit element which showed the largest gains, rising by a significant 10.6% following a drop of 12.3% in 2007. Employment compensation rose at a more moderate pace of 2.8%. In the first nine months of the year employment in the industry grew by 311, or 2.7%, compared with the same period of 2007. Of these, 3/4 were employed by the private sector:

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<th>CONSTRUCTION ACTIVITY INDICATORS (1)</th>
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<td>Gross value added (EUR millions)</td>
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<td>Total employment</td>
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<td>Private employment</td>
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(1) Employment data are averages for the first nine months of the year. Source: NSO.

Data on gross fixed capital formation, on the other hand, showed a drop of 21.5% in overall construction investment in 2008, particularly because the residential building component fell by 24%. The difference between the growing output of the sector and declining investment implies an increase in the stock of unsold dwellings.

2. Housebuilding

During 2008, permits issued for the construction of dwellings dropped by 39.7% to 6,836. The decline was spread across all major categories including flats, the predominant category, and maisonettes, which fell by 39.7% and 48.1%, respectively. Permits for the redevelopment of old houses into blocks of flats or maisonettes also declined, thus reversing the recent rising trend:

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<th>PERMITS ISSUED FOR DWELLING UNITS (BY TYPE)</th>
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<td>Total</td>
<td>9,081</td>
<td>10,409</td>
<td>11,343</td>
<td>6,836</td>
</tr>
</tbody>
</table>

Source: Malta Environment & Planning Authority.

Following the deceleration observed in recent years, the Bank’s of Malta’s index of advertised residential property prices indicated an average decline of 2.7% during 2008.

Disaggregated results show that the fall was spread across various property types. Asking prices for flats in shell form and in finished form, which together make up over half of the sample, were down by 2% and 5.4%, respectively, while those for villas and terraced houses declined by 3.7% and 1.8%.

On the other hand, higher asking prices were made for two other categories. Prices of maisonettes in shell form were up by 2.6%, while those of town houses, which account for 5.4% of sampled properties and display a high degree of volatility, increased by 10.4%. Meanwhile, prices of finished maisonettes and houses of character remained roughly unchanged from 2007.

3. Non-residential buildings

Investment in the non-residential category also contracted as a result of a drop in public sector activity, which mainly reflected a base effect: the completion in 2007 of the new state hospital. However, private sector investment in non-residential buildings showed a small rise.

1. Overview

After a powerful revival in emerging markets, most developed economies have clambered out of the recession. The extent to which the recovery in the developed world will truly take hold is, however, uncertain. The Dutch economy is set to revive in 2010, with economic growth projected to be 1.5% after contracting by an estimated 4.0% in 2009, primarily due to a sharp fall in exports. As expected, it is the recovery in exports which is driving the cyclical upswing in the Dutch economy. The projected GDP growth in 2010 is entirely due to exports. Exports of goods are more or less in line with movements in world trade. After a projected fall of 9.5% last year, the export of goods is expected to grow by 6.0% in 2010.

Consumption by households is expected to remain virtually constant (+0.25%) in 2010. Growth in real income and wealth give reason to expect a small increase, but this effect is offset by consumer confidence, which is still low and is causing consumers to be reluctant to spend. Consumer confidence has however been on the increase since spring 2009, which means that households will not be making further increases in their savings rates in 2010.

Output in the Netherlands began to rise again in the 3rd quarter of 2009 after falling throughout the four previous quarters. These figures were better than expected at the time of the Macro Economic Outlook 2010 (in September 2009). This, together with the improvement in the international economic climate, has led to economic prospects for the Dutch economy being revised upwards, particularly those for 2010. However, this improvement is still a long way from reversing the effects of the shock at the start of 2009.

When output began to fall from the 3rd quarter of 2008 onwards, this was accompanied by a fall in the demand for (new) employees in many sectors. This effect was immediately visible in the substantial fall in the number of job vacancies. Unemployment is expected to average 4.9% in 2009 and to increase to an average of 6.5% (500,000 persons) in 2010. The increase in unemployment is much less than had previously been predicted; as far as 2009 is concerned, this is largely due to the redistribution of the existing amount of work among more people. Where 2010 is concerned the improved economic prospects and increased business sector profitability will lead to a more modest increase in unemployment.

The general government deficit (EMU definition) is expected to be -4.5% of GDP in 2009 and to deteriorate to -6.1% of GDP in 2010. This negative balance, together with the interventions in the financial sector, will cause government debt to rise from 45% of GDP in 2007 to an estimated 66.4% of GDP in 2010. These are the main points from a recently presented (provisional) short-term forecast by CPB (Netherlands Bureau for Economic Policy Analysis).

In September 2009 the government appointed 20 working groups that will be responsible for conducting broad-based reviews of 20 policy themes, which will be analysed with a view to developing
2. Overall construction activity

In 2008 output peaked at a level of 62 billion €, some 6.0% higher than in the preceding period. In 2009 however, the tables turned completely. A recent study by EIB (Economisch Instituut voor de Bouwnijverheid) shows a fall in output in almost all sectors. An overall decline of construction output of 5.0% is estimated. A decrease of the output volume in the construction sector as a whole can be calculated at 3.2 billion €. In 2010, another 4.4 billion € (-7.5%) can be added to the loss of output volume.

New residential construction is contributing most to the decline of the building industry. With negative growth rates of respectively almost 10.5% and 16.0% in 2009 and 2010, new residential construction outweighs new non-residential construction by a wide margin. The latter sector is expected to shrink by 8.5% and 15.0% respectively. Within the sector of new non-residential construction, the output of office buildings, industrial buildings and storage buildings, will suffer the heaviest losses.

New civil engineering can’t escape either from the malaise, but is succeeding in keeping losses within bounds. A small increase (0.5%) is indicated for the sector in 2009 and the decline in this sector will remain limited to -0.5% in 2010. This market benefits from the fact that it depends more than other sectors on government budgets.

A period of employment growth and a shortage on the labour market came to an end in 2009. Employment in the construction sector is expected to decrease by some 40,000 man-years (45,000 jobs) up to 2010.

3. Housebuilding

Total residential construction (new construction, rehabilitation and maintenance (R&M)) accounted for some 26.8 million € in 2009; more than half of this amount (13.8 million €) concerned investment in new dwellings. New residential construction decreased by...
some 10.0% in 2009 and for 2010 again a sharp decrease of some 15.5% is expected. Up until 2008, the number of new completions in the residential sector showed a solid upward trend. After the low of 2003 – less than 60,000 new completions – this number went up to 79,000 in 2008. Based on the latest figures from Statistics Netherlands (November 2009) estimates show the completion of some 72,000 new dwellings last year.

Over the past few years, the government has worked to achieve the goal of constructing an average of 80,000 to 83,000 houses annually. As experience over many years has shown, much depends on general economic development for these figures to be reached. And this will, of course, also be the case in achieving the output targets that have been set for the period 2010 to 2020 when an additional 800,000 new dwellings will need to be built. However, due to the economic crisis, housing output will probably fall to 64,000 in 2010 and finally about 61,000 (or even lower) in 2011. As a result, the expansion of the housing stock - which is necessary because the number of households will continue to grow until 2020 - will come under pressure. For this reason, the government has decided to introduce an incentive package for 2009 and 2010. Part of this includes the incentive budget for construction (395 million €), which enables projects threatened or halted by the crisis to continue. This also contributes to maintaining employment in the construction sector.

Partly on account of the falling population, the policy for new construction will also be modified in the future. The emphasis will shift from expansion to replacement and quality improvement. Whether it concerns regions which are growing or shrinking, new construction plays an important role in addressing and/or preventing backlogs and deterioration. Problems faced by regions which are shrinking and the difference in earning capacity between those growing and those shrinking make solidarity between the regions vital. At the end of 2009, the Population Decline Action Plan was presented. Together with administrative and social partners, the government will carry out this plan starting in 2010.

Residential R&M is assumed to benefit from the expansion and the ageing of the housing stock. This provides a permanent stimulus to the output volume in this sector. Besides the housing associations agreed with the Minister of Housing, Community and Integration to start large scale modernisation programmes for underprivileged areas. After a strong rise in R&M activity of some 5.25% in 2008, a decrease of almost -2.25% is projected for 2009. For 2010 the decrease is forecast to peak at about -4.5%.

Furthermore, the Minister has allocated the Netherlands’ 31 largest cities (G31) and provinces 1.2 billion € for urban renewal. The funds are to be used for various purposes, including physical improvements to urban housing, streets and squares. The country’s largest cities and provinces submitted plans and agreements to demonstrate their eligibility for subsidies under the “Investment Budget for Urban Renewal”. These plans outline what the cities wish to achieve in terms of physical urban renewal. Thanks to the Minister’s agreement, around 850 million € will be allocated to the G31 for the period 2010 to 2014 and 320 million € will be allocated to provinces for urban renewal in municipalities outside the G31. The cities’ plans describe how they will use the budget to improve neighbourhoods and communities, with the “priority neighbourhoods” often forming the focal point for the funds. The cities will also use the funds to tackle problems such as noise pollution, soil quality and inner city air quality.

4. Non-residential buildings

After three consecutive years of firm growth, overall output in the non-residential sector peaked at a level of 20.5 billion € in 2008. Because of plummeting demand, from both home and abroad, private enterprise was not in top gear last year. Capacity utilization is relatively low. As a result, firms have little reason to invest right now. What’s more, profitability is under pressure. That makes it more difficult to finance investments - all the more so in a period in which banks are sharpening credit conditions.

From 2009 on, the volume of output will fall sharply, starting with a decrease of some 6.5% in 2009 followed by a fall of 8.0% in 2010. Investments in new buildings in particular dropped with extraordinary severity: a decrease of over -22.0% in this two year period. R&M activities in the non-residential sector are developing in a more moderate way. In 2009, these activities faced a decline of -4.0% mainly caused by the negative development of the economy. For 2010, however, stabilisation of the sector is indicated because of the gradually increasing stock, in the long run the trend in R&M activity will remain positive.

In previous years private and public non-residential construction showed strongly diverging developments, with the former being by far the most volatile part of the sector. The economic recession will affect most of all the private sector. The publicly financed sector depends less on the economic tide, but is more influenced by government policy. With the aim to soften the direct detrimental consequences of the crisis extra funds have been made available by the government to finance the construction and maintenance of youth care institutions and schools and to bring forward the restoration of historic buildings.

5. Civil engineering

The civil engineering sector covers a wide variety of construction activities, such as the building of road, rail and waterway infrastructure (including bridges and tunnels), flood barriers, sea and river dikes, the laying of pipes and cables, water storage and purification facilities, sewerage systems and the preparation of building sites for new residential and non-residential buildings.

Since the sector is more dependent on government budgets than other sectors of the construction industry, it is less vulnerable to cyclical changes. Yet, the economic crisis has not left the sector totally unaffected. The increase in investment in new infrastructure by the national government within the framework of the “Urgency law”, road construction and the “Room for Rivers” programme will not prevent the construction of roads and other transport routes from stagnation. On the other hand, civil engineering activities related to the preparation of building sites will show a sharper than average decline in 2009 and 2010. The effect of the recession on project development in the residential and the non-residential sector has become clearly visible here.

Total civil engineering output grew by some 3.0% to a level of 13.6 billion € in 2008, which is almost 25% of the total construction output in the Netherlands. Investment in new or renewed infrastructure represented 55% of that figure, the other 45% being
maintenance works. After many years of growth in investment in infrastructure, 2009 hardly managed to match the 2008 output level. Maintenance works, however, increased by some 1.0%. For the next few years, the general trend in the civil engineering sector is downward. Total output is expected to decrease some 0.75% in 2010.

6. Employment

Related to the rather strong increase of construction output in the last 2 years, employment in the construction sector rose to some 470,000 man-years in 2008. However, a period of employment growth and a shortage on the labour market has come to an end. The effects of the economic crises on the real economy became noticeable in 2009, particularly on the labour market. Unemployment rose sharply to levels not seen in the Netherlands since 1994.

Social partners in the construction industry are very concerned about the impact of the crisis on employment in the sector. Employment is expected to decrease to 410,000 man-years in 2010, this means a loss of some 45,000 jobs in two years, while in the foreseeable future qualified employees remain in demand. For this reason, social partners agreed upon a plan that aims at retaining the inflow of young people in the construction sector and training of adult workers. In addition, initiatives are being taken to keep laid off workers oriented to the labour market. The plan is for two years and covers a total of 64 million €.

The government will continue the crisis approach of 2009 this year. By doing this, the government wants to prevent jobs from disappearing unnecessarily, ensure that businesses can quickly respond to any economic recovery and stimulate employers and employees to invest in innovation, raise the ability of employees and retention of “labour fitness”. For this reason the minister of Social Affairs and Employment has introduced part-time unemployment benefits (WW) to prevent employers from having to let go of employees who will be crucial to the business after the recession has abated. For the period 2009 to 2011, 1 billion € is available for the part-time WW.
1. Overview

In 2009, the Polish economy managed to resist the pressure of global recession – GDP growth was about 1.7%. Notwithstanding its low level in 2009, Poland’s rate of growth was the best result in the EU, and Poland was the only country in the EU that achieved positive GDP growth. At the same time, construction value added grew by 4.7%. The 2nd and 3rd quarters of 2009 were the bottom of the economic slowdown in Poland. Practically, it means that 2010 should be much better for the Polish economy and the construction sector than 2009.

Poland’s economic growth in 2009 was driven mainly by consumer spending and a new structure of domestic demand: Poles’ demand for foreign goods fell sharply, while the demand for products manufactured domestically grew significantly. Although total domestic demand shrank, the part which is fed by domestic suppliers posted solid growth, which provided a significant contribution to GDP growth. Such a major change to the structure of domestic demand was mainly due to the strong depreciation of the zloty, which encouraged Poles to buy Polish equivalents of foreign goods. Changes in domestic demand improved the balance of foreign trade, which contributed a significant 80% or so to GDP growth.

2. Overall construction activity

The situation of the Polish construction market deteriorated dramatically in the 4th quarter of 2008 and early 2009. However, the 2nd half of the year witnessed some signs of stabilisation in the market situation. Hence the outlook for Poland’s construction market in the coming three years shows more confidence than just one year ago.

In 2009 output generated by total construction companies reached an estimated 139 billion PLN (32.4 billion €), compared to 134.3 billion PLN in 2008. The output of construction companies with more than 9 employees reached approximately 80.3 billion PLN (18.7 billion €) in 2009 against 76.7 billion PLN in 2008.

After the outstanding increases that the construction industry reported in 2006-2008, when it grew at a rate of 13 to 17%, 2009 saw much lower growth of 4% which will expand to approximately 8% in 2010. Given the efficient conclusion of tenders and the commencement of key infrastructure projects, the construction industry may again expand at a double-digit rate in 2011.

Despite lower growth, construction will be the fastest developing sector of the Polish economy in 2010. The branch will also be far less affected by the economic crisis than other sectors since the demand for construction services will be fuelled by infrastructure investments supported with EU funding and preparations for European Football Championship in 2012.

An analysis of the breakdown of construction output by type of building shows that civil engineering construction is by far the largest market segment. In 2009, construction firm revenues from civil engineering services accounted for slightly more than half of total construction output of companies with more than nine employees. Civil engineering is followed by non-residential construction: in 2009, it accounted for approximately 30% of total construction output generated in Poland.

Residential construction is the third and the smallest contributor to the total with less than a 20% share.

The current economic slowdown on Poland’s construction market should not be as severe as the recession in 2000 thanks to a number of mitigating factors, including the country’s preparations for Euro 2012 and numerous planned infrastructure investments. Despite the slowdown in construction, demand remains strong in some areas and we believe that 2010-2011 will see acceleration of construction, fuelled mainly by civil engineering projects (especially in the road construction sector, sport facilities and modernisation of power engineering and environmental infrastructure) and improvement in building construction, which will cease to be a major drag on total construction output (in particular regarding the housing segment).

3. Housebuilding

In 2009, more than 160,079 flats were completed, which translates into a decrease of 3.1% in comparison with 2008. In 2010 a further decrease in the number of homes completed is possible, due to a lower number of construction permits and projects commenced in 2009.

In 2009, construction permits for 178,800 homes were issued, which translates into a decline of 22.3% in comparison with 2008. In 2010 some stabilisation on the 2009 level is expected. At the end of 2009 a total of 670,000 flats were under construction, i.e. 2.5% more than during the same period of 2008.

Although individual investors will remain the dominant group in the housing market in Poland, in 2009 they have been slightly outpaced by property developers in terms of the number of home completions. Despite adverse circumstances prevailing in the housing market, the individual construction segment appears to be fairing significantly better than the property development segment.

However, it should be noted that the housing market is beginning to return to equilibrium. In all likelihood, 2010 will be a slightly better year for residential construction, in particular in terms of residential construction starts. Thanks to more flexible pricing strategies adopted by real estate developers and helped by government aid under the “Family in Their Own Home” scheme, the prospect of buying a new home is becoming more of a reality to most potential home buyers.

As far as the market situation is concerned, the worst is over for real estate developers. 2010 may mark a positive turnaround from the situation at the end of 2008 and beginning of 2009, driven by lower labour, materials and land costs, reduced supply, falling prices and a more customer-focused sales approach.

Despite the major slowdown in the residential construction market, long-term growth prospects for the sector remain positive. It should be noted that the crisis in the Polish housing market proved decisively less severe than commonly expected and, compared with most EU countries, its impact was much less acute. Information published by the major developers during the 2nd half of 2009 suggests that the supply of developer-built homes will pick up already in 2010. Hence, it is unlikely that any major demand surplus or an excessive and recurring hike in housing prices will take place.
4. Non-residential buildings

Industrial and warehouse buildings and commercial and services construction represent the largest shares of the non-residential construction segment in Poland. Projects in these categories jointly accounted for more than half of total non-residential construction in 2009.

The total supply of warehouse space in Poland shrank in 2009 as a result of investors shelving a number of such undertakings. In that year roughly 850,000 m² of new warehouse space appeared on the market, down by close to 50% compared with 2008. At the end 2009 total warehouse stock in the country amounted to approximately 6 million m². Towards the end of 2009, only 159,000 m² of fresh warehouse space was under construction, compared with 1 million m² during the corresponding period of the previous year. The freezing of many new projects may mean that by as early as mid-2010 there could be a shortage of attractively located warehouses, and this in turn will also affect rental prices.

Approximately 280,000 m² of office space was completed in 2009, being mostly a consequence of the increase in investments that was triggered by the surge in demand for offices in 2006-2008. In 2010 roughly 130,000 m² of modern office stock will appear on the market. 2010 should bring an improvement on the office market, as a consequence of the improving economic situation and gradually rising demand. The sector is only expected to exhibit more robust signs of recovery in 2011.

In 2009 a total of 26 shopping centres were completed for use in Poland. If expanded centres are included in this total then 720,000 m² of retail space appeared on the market in 2009. The record number of newly opened shopping centres in 2009 is a consequence of investment decisions made 2 to 3 years earlier during the economic boom. Supply will begin to shrink in 2010 and 2011 because investors, observing the current state of the market, are cautious when it comes to new projects. A total of 450,000 to 500,000 m² of commercial space will be completed in 2010, and only slightly more in 2011.

In the non-residential segment, we expect strong acceleration in public building construction. The rising number of construction contracts signed in 2009 will seriously improve growth in this segment, partially making up for the expected declines in the category of commercial buildings.

5. Civil engineering

Civil engineering construction is the largest contributor to construction output generated in Poland with a share of slightly more than 50%. The excellent prospects for civil engineering construction are largely attributable to EU structural funds designed to co-finance infrastructure projects and rising capital expenditure of the industrial sector (mainly power plants, and refining plants). Road construction projects account for approximately 40% of total revenues of construction output from civil engineering and this share is expected to grow in 2010-2012.

In 2009 the value of road and bridge construction works totalled approximately 24 billion PLN (5.6 billion €), noting close to 40% growth relative to 2008. Because of the rapid development in 2009, 2010 will be characterised by a rather lower pace of growth. Nevertheless, we expect the value of road works to continue to inch up because of the many contracts concluded for road works in 2009.

The condition of Polish railways is still far from meeting EU standards. Substantial investments in the sector took place in the 1970s and 1980s, which practically means that several dozen years must be made up for. Railway construction experienced strong recovery in 2007-2008 after many years of insufficient investment. However, in 2009, we saw a slowdown in the railway construction sector. We expect that despite the slowdown experienced in 2009, railway construction will further develop, supported by EU funds.

In addition to the transport network, environmental protection is another area where Poland lags dismally far behind other EU states. It is necessary to construct and modernise waste treatment plants; additionally, a large proportion of rural communities do not have sewage systems. Thus, the prospects for this sector are bright, especially given that Poland has secured funds for the execution of environmental infrastructure projects under the EU structural funds.

In the coming years, the Polish construction sector, the driving force of which is now road construction, will undergo major transformation. The portfolios of the largest construction companies will start to be dominated by revenue from power sector projects. Capital expenditure planned by power companies in the next 10 to 15 years could amount to up to 50 billion €.

6. Employment and other quantitative indicators

In 2009 employment in construction increased by 3.6% (vs. 9.1% in 2008) and wages grew by 2.8% (vs. 12.9% in 2008). In 2010 both indicators are expected to stabilise on the 2009 level or improve slightly in the 2nd half of the year.

After strong increases in the prices of construction works in the 1st half of 2007, 2008-2009 were marked by a slackening in construction price growth only to be followed by a fall to negative values in the 2nd half of 2009. However, since early 2010 we have seen the first signs of stabilisation in construction prices. We expect that the price trend in the construction industry should start to reverse in the coming months.

2009 did not see any serious changes in the top tier of the largest constructions companies operating in Poland. The fast-growing Polimex-Mostostal remains the leader, followed by Budimex, Skanska, Mostostal Warszawa, Strabag, PBG, Warbud, Hochtief, Pol-Aqua and Erbud. Notably, the performance of the majority of industry leaders is steadily improving. Companies’ financial results for the whole of 2009 improved in most cases. This healthy performance can be explained by the fact that contracts signed in 2008 were concluded when market prices were higher, while they will cost less to complete due to reduced construction prices. This will inevitably improve margins on certain contracts. However, sooner or later, construction prices will start to rise, hence the strong competition observed recently will have an adverse impact on the financial performance of contractors.

It appears that the most significant impact of the slowdown in Poland has been felt by the smallest companies (i.e. sole traders and companies with up to nine employees). After the impressive growth in the number of small companies in 2007-2008, the 1st half of 2009 saw the number of the registered companies sharply decline by 7,300.
1. Overview

In 2009 the Portuguese economy was impacted by the global recession that affected the world economy. The financial crisis that began in the summer 2008 had strong repercussions in the economy, leading to severe disruptions in the confidence levels of most economic agents, with historical lows being reached in most economic indicators, resulting in a significant drop in world economic output.

In response, most governments launched stimulus packages that materialized in the expansion of public spending and significant support to the financial sector. Portugal was no exception, despite the relative small size of the fiscal effort in comparison with other European countries. Nonetheless it was not possible to prevent unemployment from climbing and by the end of 2009 the unemployment rate exceeded 10%.

According to the Portuguese Central Bank, the economy is expected to contract by -2.9% in 2009, after having registered flat growth in the previous year. Investment and exports should be the components of GDP with the worst performance in 2009: the Portuguese Central Bank estimated decreases of 11.7% for investment and 12.7% for exports, in real terms. Investment in construction decreased significantly in the first three quarters of 2009 (about 12% in real terms, according to Quarterly National Accounts), with severe repercussions across the economy and the labour market.

Only consumption, either private or public, escaped a strong correction in 2009, with the Portuguese Central Bank pointing to a decrease of just 0.9% and an increase of 2.0%, respectively. As for private consumption, the significant reduction in interest rates brought some relief to households’ budgets, which enabled a larger share of income to be directed towards consumption and savings. The negative variation in consumer prices has also helped to contain a stronger slowdown in consumption. According to the National Statistics Office (INE), the variation in consumer prices in Portugal, excluding housing, was -1.0%, during 2009.

Finally, it should be noted that the decrease in economic activity was responsible for a strong reduction in tax revenue (which fell by 14%) and hence for the deterioration of the public accounts. In 2009 the general government deficit should reach 8.5% of GDP while public debt should stand not far from 80% of GDP.

Unfortunately, the next year will not be an easy one for the Portuguese economy. Marked by an already very low potential growth rate, economic growth is severely limited by external debt and the huge burden of public debt to GDP. This situation, although not
exclusive to Portugal, will lead to a further deterioration in access to credit, either due to higher interest rates and ceiling limits to capital lent. This should affect all economic agents, more particularly business and households. According to the European Commission, Portuguese GDP is expected to grow by 0.3% in 2010, while 0.7% growth in expected for the euro area.

Unemployment will certainly be one of the most serious problems Portugal will have to deal with, as the number of persons unemployed is not expected to recede in the next couple of years in the face of weak economic growth.

2. Overall construction activity

Influenced by a rather unfavourable economic environment, the construction sector recorded a steep decline in output in 2009. Even though the decline of this sector’s output has been a constant for the past eight years, the decline intensified in 2009, and will translate into one of the worst periods of crisis this sector has experienced. In fact, most indicators point to a contraction in construction output by 9% in 2009, which is the worst result observed in years and the largest annual contribution to the 30% decrease suffered by the sector between 2002 and 2009.

The severe downturn in the output of the construction companies was clearly reflected in the results of the Construction Sector Survey FEPICOP/EU. Entrepreneurs’ prospects for sector activity resulted in an annual balance of -30%, the worst result of the last six years and the second worst since the beginning of the series (1989).

Additionally, the average utilisation rate of output capacity in construction companies as well as new orders remained extremely low (72.8% and 9.1 months, respectively, on average in 2009). The year before, the results for the same questions had been 75.7% and 10 months, respectively.

For companies, one of the most relevant and most worrying issues is related to their financial situation. The steep decline in sales, particularly in the case of residential buildings, the persistent delays in payments and major financing difficulties all contributed to the worsening financial situation of the vast majority of companies in the sector. This fact was reflected in the series of entrepreneurs’ prospects, which, during 2009, led to the worst result in the entire series for the question on the financial situation of companies (Construction Sector Survey FEPICOP/EU).
Growth prospects concerning construction output remain low and a further deterioration in the financial situation of construction companies cannot be excluded. The opinions expressed by employers, through the Construction Sector Survey FEPICOP/EU, reflect a marked pessimism concerning the future evolution in construction output (average balance of -11% in 2009, compared to -6% in the previous year). Also, estimates put forward by the European Commission in autumn point to a further decline in construction investment in 2010 (-3.7% in real terms).

In short, 2010 may well prove to be very difficult for the construction sector with the decrease in the level of output expected to fall by 6%, heavily penalized by the negative results recorded in the residential segment.

3. Housebuilding

In 2009 the residential building segment was the most affected by the economic downturn, experiencing the largest decline in output among all construction segments (-22%). At the end of 2009 residential output is expected to be at a level that is 48% of that registered in 2001, the peak year in residential construction.

Opinions expressed by employers, through the Construction Sector Survey FEPICOP/EU, concerning activity of the residential sector resulted in the worst annual results ever (-45%), well below the average balance obtained the year before (-30%).

Also, investment in new housing, measured by the number of building permits issued for new dwellings, recorded the biggest drop since 1994, with the number of housing permits reaching 23,900 units in November 2009, approximately -45% than in the same period of 2008. This reduction follows a 9-year fall in the number of housing permits.

As for 2010, the residential segment is expected to be the worst performer in the construction sector. Demand in this segment is at a very low level due to the sharp deterioration of the macroeconomic scenario and also due to the strong restrictions imposed by banks in granting new housing loans. Unfortunately, an easing in these conditions is not expected to occur soon.

On the supply side, the constraints are also significant, namely a reduction of nearly 50% in the number of building permits in 2009 and the current oversupply in the real estate market, considering both new and second hand properties.

On the other hand, although the potential for rehabilitation & maintenance (R&M) works in Portugal is enormous, being one of the European countries with the lowest shares of R&M in the total construction sector, it is not foreseeable that a significant expansion in the volume of rehabilitation works will occur in the next couple of years. Even if a small improvement is attainable, it will not be enough to prevent the residential segment from reaching a historic low in 2010 (falling by 17% in comparison with 2009, in real terms). Looking ahead it can only be expected that the necessary measures are put in place in order to develop the rental market, the absence of which has been one of the main reasons for the lagging behind of R&M works, and that a priority is given to the rehabilitation of Portuguese cities.

4. Non-residential buildings

The construction of non-residential buildings is also recording a negative trend (-10.5%), influenced by the harsh macroeconomic scenario. This segment was heavily penalized by the evolution of its private component, which is expected to have decreased by 17% in 2009. This segment, like housing, suffered a sharp decline in demand, as the evolution of building permits illustrates. In fact, considering only the first nine months of 2009, non-residential building permits decreased by 30% (in terms of surface area), with particular emphasis on building projects for transport (-81%), tourism (-59%) and commercial buildings (-43%).

By contrast, and partly due to the adoption by the government of a package of anti-crisis measures, in 2009 public investment should have increased, with the emphasis being on the rehabilitation of secondary schools. It is worth mentioning the strong growth recorded in the value of awarded public contracts in the non-residential segment: +125% from January to December 2009, year-on-year, after having reached 366% growth in the first eight months of 2009, also year-on-year. This development was clearly determined by the electoral calendar, with both general and local elections being held in 2009 (in September and October).

All in all, the public component of non-residential construction is estimated to have increased by 5.5%, in real terms. This increase was, however, insufficient to offset the decline recorded in the share of private works and therefore joint output in non-residential buildings should have recorded a decline of about 10.5%, in 2009.

In 2010, private demand is expected to be profoundly limited by the difficult economic climate and therefore the construction of non-residential buildings for the private sector is expected to decline by 14% during the year. The construction of non-residential buildings for the public sector is expected to benefit from an increase in the investment towards R&M in public buildings, namely schools, leading to an increase in output of 5%. Still, public investment will not be sufficient to prevent the non-residential segment from falling, with a forecast decrease of 7.5%.

5. Civil engineering

Output in the civil engineering segment experienced a slight increase in 2009, as the 50% increase in the value of offers put to bid in the previous year anticipated. Additionally, several new projects were launched in that year. The dynamism observed in road concessions, helped maintain a positive level of activity in this segment in 2009.
To corroborate this healthier performance, entrepreneurs’ prospects on the level of activity and new orders were less negative in 2009 than in the previous year. Thus, it is estimated that output in the civil engineering segment should grow by about 5% in 2009.

The civil engineering segment is expected to benefit from the government’s intention to expand public investment in construction and the development of several projects using the PPP scheme. Output in this segment is expected to grow by 3% in 2010. It should be mentioned however that there are downside risks to this forecast. In fact, it is now impossible to assess the impact of the unfavorable ruling of the Court of Auditors concerning 5 projects developed under PPP schemes in the road sector.

### 6. Employment and other quantitative indicators

The sharp decline in output and the pessimism surrounding the business environment has had serious consequences on the level of employment. According to the results of the Employment Survey of INE, approximately 510,400 people were employed in the construction sector during the first three quarters of 2009, which represents a decrease of 8.8% in comparison with the same period of the previous year. In absolute terms, there are now 49,400 less individuals working in construction than in the first nine months of 2008.

Accordingly, the number of unemployed coming from the construction sector increased significantly. According to data released by IEPF (the Employment Office), while the number of unemployed registered in employment centres grew by 27% year-on-year at the end of December, the number of unemployed coming from the construction sector rose by 56% over the same period, representing 14.2% of the total number of those unemployed.

The poor performance of the construction sector is also highlighted by the sharp decline in cement consumption in 2009, which is expected to have reached -15.5%.
1. Overview

The Romanian economy grew until 2008 with GDP increasing by 6.3% in that year compared to 2007. But at the end of 2008, the economic crisis, with its roots in the financial sector, began to spread to all areas of the Romanian economy, and especially the construction industry.

In 2009, the crisis spread throughout the whole economy: GDP contracted by 6.2% in the 1st quarter, 8.7% in the 2nd quarter and 7.4% over the first nine months, compared to the same periods in 2008. GDP to the value of 334.2 billion € over nine months was sustained by industry (27.5%), agriculture (6.44%), commerce (25.5%), construction (9.4%) and other activities (31.2%).

In October 2009, a positive sign appeared in industrial output: growth of 3.6% was registered by the National Statistics Institute. Furthermore, growth was registered in 90% of the various fields of output.

The rate of inflation fluctuated by 4.3% whilst at the same time, the Romanian lei’s (RON) yearly average equivalent increased from 3.68 RON/€ in 2008 to a level of 4.24 RON/€ after elf months, which means a decrease of 15.1% in its value against the euro.

The financial crisis and economic downturn have had further negative effects on unemployment which rose up to 7.5%. At the same time, over 100,000 SMEs fell victim to bankruptcy.

In 2008, about 2.5 million of Romania’s total population were working abroad: mainly in Spain, Portugal, France, Italy, Germany, Israel and the United Kingdom. Because of decreasing activity in these economies during the second half of 2008, a proportion of these Romanian workers returned to Romania. This phenomenon continued into 2009. In the meantime the Romanian gross average salary reached approximately 2.6 €/hour in October 2009.

The political scene in 2009 was also marked by two elections: one for the European Parliament and another one for the Romanian Presidency.

Further factors accentuate the difficult economic situation: unclear public procurement legislation, increased late payments to contractors without any penalties for these delays, early payment of VAT (at the release of the invoice), cooperation difficulties with foreign contractors, and in particular European contractors due to such uncertainties in the legislation. In light of the continuing economic downturn, the Government has taken out a 20 billion € loan from the IMF and the EU, which has however not been earmarked for specific investment.
## 2. Overall construction activity

After growth in total construction output of 25.8% in 2008, 2009 began in tougher economic conditions. However, the construction industry did register year on year growth of 4.4% in the 1st quarter, against the 1st quarter of 2008, on the basis of works already in the pipeline. The downturn became more evident in the 2nd quarter of 2009, when construction output decreased by 14.2%, against the same period in 2008.

The figures for the first ten months of 2009 show a 15.6% decrease of the total value of construction works, against the first ten months of 2008.

The new construction segment registered a decrease of 12% during the first ten months, against the same period of 2008; but some signs of slow recovery are observed.

All in all, for 2009, the decrease of total construction output is expected to be around 16% against the previous year.

As a general trend, construction activity is expected to decrease until the 2nd quarter of 2010. According to initial forecasts, a slow but effective recovery should start during the 2nd quarter of 2010.

Healthier activity of the banking sector, with easier access to credit, is also expected to contribute to recovery in the construction industry.

In parallel to the administrative measures taken by the National Bank of Romania to boost credit facilities, the main lever which will be used to overcome the current difficulties should be through large scale public or public-private orders for infrastructure works. Such investment should not be limited to roads or motorways, but should also focus on rural infrastructure which needs major investment.

The combination of Romanian companies’ local expertise and the know-how foreign companies bring in the field of new technologies, together with state participation – directly or in public-private schemes – in infrastructure projects offer some of the best opportunities for recovery in the coming years.

### 3. Housebuilding

Growth in the residential sector decreased by 17.0% over the first ten months of 2009 while for the whole year, a decrease of 11.3% is expected in this segment.

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On average, the level of houses built each year in Romania is between 30,000 and 35,000 dwellings. During the first ten months of 2009 however, a number of 41,861 permits for residential buildings were delivered, which is 21.2% less than in the first ten months of 2008.

The construction of new dwellings for young married people (under 35 years old) continued in 2009 despite public funds in this field only covering a small percentage of the total value.

The greater part of funds for the construction of dwellings originates from the private sector and is used to build new residential areas in Bucharest as well as in the other main cities of the country.

As a result of the crisis, prices for new dwellings decreased from about an average of 1,800 €/m² to 1,000-1,200 €/m² for the best dwellings in the 4th quarter of 2009.

4. Non-residential buildings

The total output of non-residential buildings decreased by about 17.1% in the first ten months of 2009. For 2009, a total decrease of about 16% is expected.

Despite the crisis, several new commercial and administrative centers are being built in Bucharest and other main cities. The biggest mall of the country – and one of the biggest in Europe – recently opened in Bucharest.

Some foreign companies also obtained permits to build high-rise non-residential buildings with more than 20 floors, which is something new for a region exposed to earthquakes. These constructions are usually made with steel structures. During the 2nd half of 2009 however, progress on these constructions slowed.

There is also much activity in repair and reconstruction for old non-residential buildings, but about 20% less in value compared to 2008.

5. Civil engineering

For 2009, a decrease of 15 to 18% is expected in the civil engineering sector. This appears in spite of the completion of several big infrastructure projects: among which the opening of the first 40 km stretch of the Transylvanian Motorway, as well as completion of two underground passages in Bucharest.

Work on the Sun Motorway to the Black Sea also continued slowly.

In Bucharest, the rehabilitation of the old historic center continued slowly. Big infrastructure works, as well as a new development plan are foreseen in this area. The works are however progressing very slowly because of the discovery of archeological sites.

The problem of car traffic in Bucharest as in the other big cities continues to be serious. Local officials are attempting to solve this problem through the construction of new streets, parking lots, tunnels and overpasses in various overcrowded junctions in the city.

Finally, a specific stimulus programme to fight against the economic crisis – within which investment in infrastructure was promoted – was agreed with the government but only very partially applied.

6. Employment and other quantitative indicators

As mentioned previously, a significant number of the 2 million Romanian workers working abroad in the construction or agricultural sectors have returned to Romania due to the economic downturn and subsequent decrease in activity in the other EU countries.

Due to this phenomenon and together with the arrival of a new generation of workers staying in the country, the Romanian construction industry expects to solve the manpower shortage it experienced in the past few years.

The gross average salary in October 2009 in the construction field was about 2.2 €/hour, for 170 working hours/month. This salary is quite the same as in September 2009 and about 6.4% higher than in January 2009.

The decrease of the value of the lei against the euro also accentuated contractors’ difficulties as many of them had leased type machinery from abroad.

In parallel, prices of construction materials are also actually increasing, even though the number of orders is lower, a fact which normally leads to a decrease of the material prices.

The import of steel products will also be lower because of the changing rate of the Romanian currency.

The decrease of the international price of oil has maintained low prices for construction products made from local raw materials.
1. Overview

The worldwide synchronised crisis policy has brought about markedly better, faster effects than many commentators expected to see a year ago. However, the cloud of financial unrest in most major countries in the world economy is continuing to hover to a degree. Extensive stimulus measures undertaken by governments and central banks over the world have to start being withdrawn at an appropriate time; the problem is to know when the time is right. This is the primary challenge which faces government and central banks in the immediate future.

Revised GDP figures for Sweden showed weak growth for the 1st half of 2009, and hence in purely technical terms, the recession was over. However, the decline in 2009 will still be significant, and GDP is expected to fall by 4.2%. Declines in investments in both machinery and buildings are the main reasons for the sharp decrease. The improvement in export prospects for 2010 will result in foreign trade contributing more to GDP growth, and the economy is forecasted to grow by 1.7% in 2010. Employment is expected to be reduced by more than 200,000 people over the forecast period, and capacity utilisation will remain low.

The interest rate reductions from the Swedish Riksbank over the previous year led to deflation in 2009. These reductions have also led to interest rates on mortgages reaching historically low levels; and as a result of these low interest rates, prices on the housing market started to pick up once again. This, together with wage increases and income tax reductions, is providing a good foundation which will allow households to increase their consumption over the rest of the forecast period. Counteracting the substantial upswing in household consumption is the deteriorating labour market, where unemployment is expected to reach double digits.

2. Overall construction activity

The Swedish construction market remains sluggish. Non-residential investment developed weakly, and residential construction will continue to decrease next year. However, earlier interest rate reductions are alleviating the fall in residential construction, and additional funding announced for public infrastructure projects are forming the foundation for a recovery in total construction investment in 2010.

In 2008, total construction investment increased by 2%. In 2009, it is expected to have fallen by 7% and will then increase again by 3% in 2010. The foundation for a recovery in the industry is the gradual improvement in general economic growth, along with the sound growth of civil engineering investment in the near future.

New residential construction fell substantially over the first six months of 2009, and therefore the number of housing starts is expected to amount to just 16,000, which is the lowest figure noted...
for the 2000s. However, the demand for new homes turned in the autumn of 2009, and a moderate increase to 19,000 dwellings is expected for 2010. New residential construction will nevertheless fall for the third consecutive year. Almost 20,000 building permits were granted over the twelve-month period from July 2008 to June 2009, and hence there is a readiness to further increase output if the demand is greater than anticipated during the forecast period.

Rehabilitation and maintenance (R&M) investment to date has seen poorer development than anticipated. However, there is still a great need for renovation work, and not just for multi-family houses. A lot of one- and two-family homes need to be converted and adapted in order to reduce energy consumption, for example. Since the introduction of the new rules for "ROT-avdrag" (tax reductions on refurbishments and extensions for households) as of 1st July 2009, figures from the Swedish Tax Agency are indicating a rise in the rate of investment, viewed over the entire forecast period.

The market-driven construction of non-residential buildings has been enormously affected by the economic downturn, and several of the larger projects in the sectors such as commerce and industry have been postponed or halted altogether. This has resulted in a contraction of private investment in non-residential buildings in both 2009 and 2010. On the other hand, public investment in non-residential buildings is expected to continue according to the plans announced previously. The view is that some of the government’s additional support funding to municipalities and county councils, among others, will benefit the public estate thanks to an increase in refurbishments. All in all, total investment in non-residential buildings is expected to fall in 2009 and then show a weak increase in 2010.

Civil engineering investment is counteracting the negative development in residential construction. Private investment in the energy sector, primarily in the fields of wind power and heat and power plants, and also in water and purification plants, is helping to maintain investment levels. Furthermore, public infrastructure investment is extremely important and overall civil engineering investment will undergo a strong growth throughout the forecast period.

### 3. Housebuilding

Only 6,300 dwellings were started over the first six months of 2009, compared to 12,100 over the first six months of 2008. Compared to the same period in 2008, this means a reduction of 40% for multifamily houses, 56% for one-and two-family houses and 48% for all houses. Between July 2008 and June 2009, 15,700 dwellings were started, while almost 20,000 building permits were granted. Thus the way has been paved for a rapid increase in new output once the required signals indicating an increase in demand become apparent.

Building starts for multifamily houses have been largely affected over the past few years by the fact that subsidies for construction of rental...
apartments were abolished at the end of 2006. Only 2,500 rental apartments were started under the first six months of 2009, equivalent to just half the number of such properties over the first six months of 2006. For condominiums the figure was 1,100 starts in the 1st half of 2009, a figure equivalent to a fifth of the volume for the same period in 2006.

The number of building permits granted has also fallen, but not really to the same extent as house starts. Building permits are normally a good indicator of house starts for the coming six months. The decline has been most apparent among one-and two-family houses, but this appears to have slowed down over the past few months. House prices have returned to the level they were at prior to the most acute phase of the credit crunch. Together with positive reports from estate agents, among others, this indicates that one-and two-family house construction may begin to recover before the end of 2009. However, after the weak start in 2009, no more than 6,000 one-and two-family houses are expected to be started over the year. Despite a somewhat tighter monetary policy for 2010, the market for one-and two-family houses is continuing to recover, albeit slowly. There is still a significant risk of a weakening of the labour market inhibiting renewed household confidence in the future, resulting in weaker price development and fewer determined buyers on the housing market.

The very rapid decline in the number of housing starts is also reflected in the development of investment volume. As investments are distributed over time, from the start of construction to completion (estimated to be about a year), it is taking longer for investments to make the switch from downturn to upswing. However, the shortage of housing is still very apparent in many places in Sweden. Moreover, households have recovered their confidence; and with the support of low interest rates, the housing market has started to stabilise.

According to Statistics Sweden house prices are back at more or less the same level as a year ago and this after only a short period of modest declines. Rising prices on the market for existing homes indicate that the demand for new dwellings, and hence residential construction, will rise in the future. Investment in new construction is starting to increase over the coming quarters, but as a consequence of the severity of the downturn the yearly average for 2010 will nevertheless be lower than for 2009. All in all, investment in residential construction will be reduced in both 2009 and 2010.

Investment in R&M has undergone weaker growth than was previously thought. Although it will rise slightly in both 2009 and 2010, this is not enough to compensate for the sharp decrease in new residential construction. One possible explanation for this weak performance over the first six months of 2009 may be that households that had planned ROT investment opted to hold off until after 1st July 2009, when the new rules relating to invoicing were introduced. These rules mean that contractors will invoice only half the cost of labour to the client and will receive the other half from the Swedish Tax Agency. According to the Swedish Tax Agency, levels of activity have been high for the months when these new rules have been applied, and this is why investment development will probably have strengthened over the 2nd half of 2009.

All in all, total investment in housebuilding is expected to fall by 21% in 2009 and 1% in 2010.

4. Non-residential buildings

Private non-residential investment fell by 14% over the first six months of 2009, the strongest decline since 1993. However, the rapid rate of decline will probably have tapered off over the second six months of 2009, though the decline will continue into 2010 as well. The explanation for this is the fact that investment in commercial property, hotels and offices has been postponed by several quarters.

The expansion of shopping centres, offices and hotels has stopped, and investment volumes will continue to fall in 2010. There are still plans for new investments, but several signals indicate that planned projects will be postponed. The building permit statistics for the first six months of 2009 in respect of office premises, hotels and restaurants also seem to confirm that the downturn will continue for some time.

Several large office projects will be completed in 2009 and 2010; primarily in central Stockholm (more than 300,000 m² of new office area). Industry commentators are of the view that the number of vacancies will rise and that rents will fall in most regions. Rents are expected to level out in 2010. Furthermore, yields on property investment are expected to increase. The development in respect of building permits for office premises showed a marginal decline over the first six months of 2009 compared to the same period in 2008. All in all, this indicates that construction investment in the property sector will be moderate in 2010.

Construction investment in the industry sector fell by 10% over the first six months of 2009 and is now back at around the same level it was at in early 2007. This sharp decline is due in part to the high comparative figures for 2008, which were enhanced by the expansion of the steel and mining industries, and in part to the fact that construction investment in the petrochemical industry has been completely frozen. All in all, investment in private non-residential buildings is expected to fall by 9% in 2009 and 3% in 2010.

As the situation on the labour market worsens, the finances of the municipalities and county councils will be impaired, thereby reducing their scope for long-term non-residential investment. In the budget bill for 2010, the government seeks to contribute a further 940 million € to municipalities and county councils. As there is still a great need for investment in public buildings and a number of the larger projects are already included in the budget bill, these investment plans will be maintained.

In a financially strained situation, however, public R&M investment may be affected. Our assessment is that some of the additional support funding awarded by the government to municipalities and county councils will be spent on investment in R&M. The reason is that there is a great need for it, but also because local politicians could counter the decline in local labour markets by starting rehabilitation (rebuilding) projects. The fact that public construction investment will continue favourably in 2009 is also confirmed by statistics which indicate that those are up 7% over the first six months compared to the same period in 2008.

All in all, the assessment is that public non-residential investment will increase by 8% in 2009 and 6% in 2010. Thus, total non-residential investment will fall by 3% in 2009 and increase by 1% in 2010.
5. Civil engineering

Private civil engineering investment rose by more than 3% over the first six months of 2009. Going into the various subsectors, energy-related investment and investment in water and purification plants have increased. In the telecom sector and the field of transport, on the other hand, growth has been negative.

Energy-related civil engineering investment has increased at a brisk pace since 2003. 2008 was an interim year, and the upswing stopped at a few tenths of 1% at that time. The reason for this stagnation is partly the credit crunch, but also the fact that the level was already high following the rapid expansion of the last few years.

The expansion of wind power is a significant element in energy-related civil engineering investment. Around a tenth of investment in wind power is thought to be construction investment. Despite the credit crunch, the major developers have continued at much the same pace, while small and medium-sized developers have been forced to postpone their plans. The electricity certificate system, which is intended to underpin the expansion of renewable energy sources, has not worked because the demand for electricity has fallen dramatically. After the summer, the economic situation stabilised somewhat, and hence in our view the expansion of wind power will continue in the future at more or less the same pace as prior to the credit crunch. A number of large heat and power plants projects have been started, and some will be started over the period. Investment in water and purification plants has fluctuated over the past few years. Developments in 2009 indicate a rapid upswing in investment that will continue for the rest of the year. An increase of 3% in both 2009 and 2010 is forecast for private civil engineering.

In the autumn of 2008, the government presented a recent infrastructure initiative totalling 900 million € for 2009-2010. This initiative has focused primarily on the three major urban conurbations in Sweden. The emphasis has been placed on bringing forward investments in important projects; such as eliminating costly bottlenecks and ensuring that original timetables can be kept for projects that already have been started. The budget bill for 2010 included a further 140 million € for infrastructure projects in 2010. The reason for this extended initiative is the aim to increase employment and accessibility in the transport system.

In all, civil engineering investment is expected to increase by 9% in 2009 and 10% in 2010.

6. Employment

After a number of years with employment increasing by around 6% a year in the construction industry, Statistics Sweden’s labour force survey (LFS) is now showing a decline. During the 3rd quarter of 2009 employment in the construction industry had fallen by 13,000 persons (-4%) compared to the same period in 2008.

The deteriorating economic situation has triggered a sharp increase in the numbers of those made redundant since last autumn. On average, around 1,000 persons per month were made redundant over the period from September 2008 to August 2009. One year earlier, the corresponding figure was 150 persons. The peak was seen in November 2008, when more than 2,100 persons were made redundant.

Given a 7% reduction in investment in 2009, we are expecting to see a major reduction in employment in the construction industry. As the greatest reduction is in the more labour-intensive residential sector, the need for labour is being affected even more negatively. In 2010, construction investment will start to improve again; rising by 3%, but it will probably take some time before employment starts to pick up.

As is common in times of falling production and adaptation of the labour force, weak productivity growth can be expected over the forecast period. However, productivity is being affected positively by the fact that civil engineering construction is increasing its share of the overall market as this type of construction requires less labour. The total number of people employed (blue- and white-collar workers) in the construction industry is expected to fall by 20,000-25,000 over the forecast period. Increasing investment in 2010 will alleviate the decrease in employment in the coming year.
1. Overview

In the last quarter of 2008 and the whole of 2009 the negative impact of the economic and financial crisis became increasingly apparent in Slovenia. Mainly due to a fall in the exports of goods and services and domestic investment, national GDP declined by 7.8% in 2009. This is the greatest fall of GDP in Slovenia since 1991 and came after some years of sustainable growth in GDP. In 2009 domestic investment fell by 14.4%, the export of goods by 19% and the export of services by 15%.

In 2010, a slightly higher rate of GDP growth (1%) is expected but investment will remain in negative figures until 2011 when a higher level private and public investment in infrastructure is expected.

2. Overall construction activity

After seven consecutive years of growth and especially the rapid growth recorded over the 2006 to 2008 period, activity in the Slovenian construction sector fell sharply in 2009. Negative figures were registered in the three main segments of construction (housebuilding, non-residential buildings and civil engineering).

Overall construction activity fell by 20% in 2009 while the construction of non-residential buildings fell by nearly 25%, works in residential buildings by 20% and works in civil engineering by nearly 18%. The share of R&M amounted to 50%, 16.5% on residential buildings and about 33.5% on non-residential buildings.

In 2010 another sharp fall in overall construction activity of some 15% is expected in all three main segments of construction. That means that construction activity will fall back to 2005 levels, before the rapid expansion in investment.

3. Housebuilding

The 20% decline in new housebuilding can be ascribed to the progressive slowdown in demand. Many prospective buyers are postponing their decision to enter the housing market because of difficulty in access to credit and very unsure conditions in the economic climate.

For 2010, we expect a further decline of new housebuilding by nearly 17%; only the rehabilitation and maintenance of residential buildings segment will grow by 7.5% thanks to efforts to boost energy efficiency. National incentives in this field will contribute to such results.
4. Non-residential buildings

Non-residential buildings, whether public and private, have suffered greatly through the economic and financial crisis. Public buildings have fallen victim to lower budget resources, and private buildings to the decline in economic activity.

For 2010, a further decline of some 15% is expected. The only segment which should experience a positive trend will be the rehabilitation or reconstruction of social care buildings due to efforts towards the improvement of energy efficiency in these buildings through EU grants and national resources.

5. Civil engineering

From 2006 to 2008, civil engineering works experienced the highest growth rates of all construction segments. In Slovenia, a 15-year highway programme has just been completed (Sloveniancross), while new projects (railway, energy and environmental programmes) are not yet ready to start and are not, in any case, sufficient to compensate the end of major works for highways.

In 2010, a further decline of civil engineering works of some 15% is expected.

Along with the starting of railway and road rehabilitation programmes, there will also be some investment in energy and environmental programmes.

6. Employment

The employment of construction workers in 2006 to 2008 was very buoyant, the construction sector employing nearly 20,000 new workers (nearly 30% growth) each year; mostly workers from abroad (South Eastern Europe). By contrast, the decrease in the number of these workers began in 2009 and by the end of 2009 the construction sector employed nearly 7,000 workers less than at the end of 2008 (-2.3%).

In 2010, a more rapid decrease in the number of employees in the construction sector is forecast with the trend affecting domestic as well as foreign workers.
1. Overview

In late 2009 the UK economy tentatively emerged from the longest recession since records began in 1955. Recent survey evidence suggests that the Office for National Statistics’ provisional estimate of 0.1% GDP growth in the 4th quarter 2009, compared to the 3rd quarter, is likely to be revised upwards modestly. However, the consensus among independent forecasters points to a 4.7% contraction in output during 2009 as a whole.

Economic fundamentals are far from firm but growth has resumed in the services sector and fears that the economy will dip into recession once more are retreating. Supporting the economy throughout the crisis, however, has come at a cost and the public sector budget deficit reached 60% of GDP in December 2009. With a general election looming, each of the main political parties rank addressing the wide, and growing, budget deficit high on their agenda. While details of exactly how politicians plan to approach redressing the balance have yet to be communicated, capital spending, and therefore publicly-funded construction work, is expected to suffer significant falls.

Timing, therefore, is crucial over the next twelve months. With public capital investment set to contract by at least 50% over the next four years, the industry’s future lies in the hands of the private sector. If public spending cuts are implemented in line with current expectations, private housing and commercial construction should be in a position to drive a return to modest growth. If budgets are cut sooner or more harshly than anticipated, the consequences for construction are severe.

2. Overall construction activity

Construction output is estimated to have declined at the sharpest annual rate on record in 2009 as financial market gridlock, and the ensuing recession, had a significant impact on the industry. Output in the first nine months of the year was 12% less than in the equivalent period in 2008. However, as the year progressed the rate of decline slowed and the volume of work carried out in the 3rd quarter 2009 was 2% higher than in the 2nd quarter 2009, according to official statistics. Compared to the same quarter one year ago, however, output remained 9% lower and some forecasters suggest that the 2008 level of output will not be reached again until post-2013 at the very earliest.

Output declined across each of the three main industry sectors in 2009. Civil engineering output recorded the smallest decline of 4.3%, as strong growth in rail and roads sub-sectors, to an extent, countered the sharp deterioration in demand for preliminary work to support residential and commercial development. Residential and non-residential sectors suffered comparably steep falls in output in 2009. After falling by 6.2% in 2008 residential output contracted for the 2nd consecutive year, and the rate of decline accelerated to
-14.1%. Non-residential output declined by 15.4%, but the strength of the public sector helped to offset a severe 25.4% fall in private activity.

Output is forecast to decline further in 2010 as housebuilding and commercial markets continue to slide. The rate of decline is, however, expected to moderate to 3.3%.

3. Housebuilding

Private housebuilding fell to levels unseen since 1924, excluding World War II, in the 1st quarter 2009. Since this low point, the rate of house building has started to recover but private starts in the UK are estimated to have only reached 80,000 in 2009, 26% less than in 2008, which in turn was a staggering 41% lower than in 2007.

Price pressures have already resurfaced, on average rising by 3.4% between 2008 and 2009, according to figures collated by the Nationwide Building Society. However, concern that a return to house price inflation is the result of the extremely low level of transactions currently taking place, as opposed to an indicator of a wider improvement in demand conditions, prevails. Forecasts for house prices in 2010 vary widely, with projections ranging from -10% to +5%. The recent acceleration in both consumer and producer inflation increases the likelihood that the base rate will rise once, at the very least, in 2010, and is just one of the variables contributing to this uncertainty.

Encouraging signs that the housing market is in the midst of a fragile recovery, however, continue to emerge. There has been a revival in interest and activity. Mortgage approvals and property transactions have improved strongly over the past twelve months, but nonetheless remain weak on any historical comparison. Lenders are slowly regaining confidence in the residential property market and the latest Credit Conditions Survey from the Bank of England suggests that the availability of secured credit increased in late 2009, and should continue to do so, albeit modestly, in early 2010.

Growth of 15% is predicted this year but reaching only 92,000 starts, half the figure three years earlier, and despite double-digit growth each year private starts in 2013 are still expected to be 25% lower than in 2007.

4. Non-residential buildings

Non-residential building work contracted sharply in 2009 as the extent of impact of the recession on both consumers and businesses was revealed. Output contracted by 15.4% to 26.4 billion GBP (29.7 billion €) during the year as privately financed non-residential building work plummeted 25.4%. As part of its fiscal stimulus programme, the government brought forward finance from 2010-2011 to 2009-2010 to partially compensate for the weakness of the private sector but this, coupled with ongoing work on the 2012 Olympic Games site and an extensive schools build programme,
was insufficient to offset the private sector fallout. Publicly funded non-residential output increased by 11.5% in 2009.

Education work accounts for over half of public non-residential output and grew by an estimated 24% in 2009 and has increased threefold over the last thirteen years. Building Schools for the Future and Building Colleges for the Future, both delivered by Partnerships for Schools, have funding secured through to the end of the first financial year. Beyond 2010-2011, however, spending cuts are inevitable and it is a question of when and by how much. A 9% fall in the Department for Children, Schools and Families’ capital budget is already anticipated in the next financial year but the full extent of cuts will not be known until after the General Election.

Outside of education, publicly-funded construction work on facilities for London 2012 is nearing its peak. Output should be maintained at this peak level in 2011 before falling away sharply. This coupled with the fact that NHS (National Health Service) capital funding is expected to contract further, from the 13% decline already announced for 2010-2011, suggests a very pessimistic outlook for publicly funded construction over the medium term. Servicing the debt burden, which currently stands at 60% of GDP, and thus maintaining UK’s credibility in the global marketplace, will be the main priority for whichever party wins the election.

Commercial and industrial sectors have been equally adversely affected by the downturn. Faced with simultaneous consumer and business retrenchment, 6 billion GBP (7.5 billion €) of commercial work was lost last year, and with poor new orders in 2009, the sector is expected to fall 15% in 2010. With a subdued outlook for consumers over the short-term and a significant overhang of speculative office space to clear, a further decline is unlikely to be avoided in 2011. However, property markets are beginning to stir and the breaks on planned pre-recession developments are tentatively being eased as some developers look to the potential profitability of a scarce 2012-2013 completion. Nevertheless, a return to growth in commercial construction as a whole will not occur until after the economy has recovered convincingly.

Construction of industrial properties declined by 48% over the last two years, negatively affected by the fall in consumer spending and global trade. Workloads are expected to fall a further 2% during 2010 prior to any significant growth after economic recovery, an increase in consumer spending and then using up empty existing industrial properties.

Non-residential building is predicted to contract by a further 5.7% in 2010. With a large proportion of investment already committed in public education and entertainment sectors during the year, a very modest increase in public non-residential building work is anticipated. Private non-residential is forecast to decline for the 2\textsuperscript{nd} consecutive year by 9.4% in 2010.

5. Civil engineering

Civil engineering generally underperformed the industry as a whole throughout the early to mid-2000s as muted investment in the country’s infrastructure countered robust growth in preliminary work to support strong demand from buoyant residential, commercial and public non-residential markets. After lengthy gestation periods, however, several sizeable road, rail and water projects started on site in 2009, providing a significant boost for the infrastructure component of civil engineering. Whereas demand for the preliminaries component collapsed and overall civil engineering output contracted by an estimated 4.3%, in real terms, in 2009.

Infrastructure output is forecast to grow throughout the forecast period and rail will be the main driver. Network Rail has 34.6 billion GBP (38.8 billion €) of funding secured for capital investment over the next four years and rail output is forecast to grow by 125% over this period. This is despite the postponement of Victoria Station refurbishment, valued at 695 million GBP (780 million €), until 2018. Crossrail still has backing, despite the economic headwinds, and a 1.1 billion GBP (1.2 billion €) extension of the electrification programme to cover the Great Western Main Line has been announced.

In water and sewerage, which accounts for almost one quarter of infrastructure, expenditure by water companies is determined in conjunction with the regulator, OFWAT (Water Services Regulation Authority). Between 2010 and 2015 water companies in England and Wales has agreed to invest 22.1 billion GBP (24.8 billion €), which should see the improvement or replacement of 10,000 km of water mains and upgrades to 130 water treatment works and 520 sewage treatment plants. Investment is likely to rise annually through to 2011-2012 before falling away in the 2\textsuperscript{nd} half of the regulatory period.

Roads work expanded significantly in 2009 as contracts were let for the M1 and M25 widening schemes. Post-election, however, roads are expected to be an area that will suffer from sharp cuts in funding.

With building output not expected to recover until 2011 at the very earliest, the short-term outlook for preliminary work associated with new housing and commercial development is subdued. Civil engineering output is forecast to plateau in 2010 as a further fall in preliminary work offsets expansion in roads, rail and water output.

6. Employment and other quantitative indicators

Employment in UK construction contracted sharply in 2009 as insolvencies increased and firms streamlined their businesses to remain competitive through this challenging period. Employed construction worker numbers contracted by 13.3% to 996,000. Total construction industry employment fell to an estimated 1.97 million in 2009, 12.2% lower than in 2008.

Opportunities for the self-employed contingent of the industry, comprising approximately 30% of the total, have reduced significantly. Consequently self-employed worker numbers contracted by 10.5% in 2009 to 622,000. Anecdotally there has been some reversal in migration between Eastern Europe and the UK which would account for a degree of this contraction. The majority of workers, however, are likely to have exited the industry in search of more certainty.
and stability elsewhere. While talk of skills shortages when the construction recession ends may seem premature, labour exiting now is unlikely to return when conditions improve. Skills and expertise lost now could take decades to replace and will rapidly become a pertinent issue when growth resumes.

With industry conditions expected to deteriorate further in 2010, the outlook for employment remains bleak. Work in progress prior to the financial crisis, which provided essential sustenance for many firms throughout 2009, has completed and many face a reality of lean order books, reduced margins, rising costs and extended payment terms. Insolvencies peaked in the 4th quarter 2008, according to the Insolvency Service and 427 construction firms entered administration in 2009, 8.7% less than in 2008 but very high by historical standards. Industry employment is forecast to contract by a further 3.1% in 2010 but the risks to this projection are weighted to the downside.

After only modest falls, inflationary pressures have resurfaced and this is one of the main issues currently facing the industry. Metals prices have rallied strongly in recent months and in December the Department for Business, Innovation and Skills reported that more general construction material price inflation has resumed, albeit modestly. The rate of consumer price inflation accelerated to 3.5% in January 2010, and while commentators generally agree that this spike was due to exceptional factors as opposed to an underlying shift, higher inflation expectations among workers could impinge on future wage negotiations. With competition for work already strong and set to intensify, tender prices are likely to continue to fall.
1. Overview

In 2009, Swiss GDP is estimated to have shrunk by about 1.8%. In comparison with many other European countries, Switzerland has suffered a less severe recession. Four factors have helped cushion the downturn in Switzerland. Firstly, the country has experienced neither excessive debt nor a real-estate bubble, while its credit market has also remained intact – having learned the lessons from the 1990s. Secondly, due to its high proportion of relatively non-cyclical products, the export sector has not been impacted as badly as that of other countries. Thirdly, immigration provides a welcome economic impetus. Fourthly, the combination of extensive unemployment insurance and provisions for short-time working acts as a stabilizing factor. Businesses therefore have the necessary freedom to respond to a fall in demand by cutting their costs. At the same time, unemployment insurance payouts help mitigate loss of income and consequently support consumption.

In 2010, GDP is expected to expand again by 0.6%. This fragile upturn will be reinforced by the increase in goods’ exports and stable growth in private consumption. In Switzerland, the recession probably ended some time during the 2nd half of 2009.

Because of the slow economic recovery, the pressure on prices will probably remain low. In 2009, Switzerland experienced a negative inflation of -0.4%. This was mainly driven by falling energy prices in the 1st and 2nd quarters of 2009.

For the time being, Switzerland is not under any inflationary pressure, and this gives the Swiss National Bank (SNB) sufficient scope to focus on a continuation of its stimulus of the economy with an expansive monetary policy. Now that the money market has eased, the SNB can allow its liquidity measures to expire in due course. This makes it unlikely that the SNB will decide on another cut in short-term interest rates.

Since employment usually reaches to the economy with some lag, it should only begin increasing towards the end of 2010. Overall unemployment will stand at 4.9% for 2010. It has to be emphasized that this amount is quite high for Switzerland. In 2007 for example the unemployment rate stood at 2.8%.

2. Overall construction activity

In 2009, total construction output is expected to total around 37 billion € in nominal terms. This corresponds to a significant increase of 3.1% over the previous year and around 10% of Swiss GDP.

It is clear that the construction sector activity is increasingly supported by the civil engineering segment. This increase is only partially due to the Swiss government’s stimulus packages and mainly driven by several major infrastructure projects.
According to Swiss Economic Institute’s (KOF) forecasts, the real economy will recover in 2010 and grow by 0.6%. The government has launched 3 stimulus packages to revitalize the Swiss economy. In comparison to most other countries they have been relatively small, the Swiss government recognising that the possibilities for a small export-driven economy to stabilize its economy are limited.

The Swiss Contractors’ Federation still believes that no particular measures are necessary to boost construction economic activity. Of most importance is the implementation of existing projects in due time. One important achievement has been that public bodies - as the biggest client of the construction sector – have given assurance that outstanding amounts will be paid within 30 days. This will help many construction companies to avoid liquidity problems.

The Swiss real estate market does not seem to have been hit by the crisis up to now. Prices are still quite stable and should stay so according to experts from Wüest&Partner. The still high but diminishing level of immigration, mainly from Germany, seems to support real estate prices. It seems that Switzerland has learnt its lesson from the real estate crisis at the end of the 1980’s, when speculation led to serious problems in the real estate market. Swiss banks have since followed a rather cautious mortgage policy. As far as house building is concerned, it will probably stabilize on a somewhat lower level over the next few years.

With the prospective decline of investment in new buildings in 2010, rehabilitation and maintenance (R&M) will gain importance.

The drive towards making buildings more energy efficient will further add to the increase of the corresponding market share. Within the framework of the Swiss stimulus packages several incentive programmes have been created to enhance energy efficiency.

For 2010 a moderate inflation of approximately 0.8% is expected. Experts predict on average an increase of unemployment caused by the economic slowdown to an average of 4.9% in 2009. They expect the unemployment rate to peak in 2011. The construction sector will, inevitably, also be affected from this upward trend.

Apart from a few restricted cases, the volume of orders received from outside the country has traditionally been insignificant. Activities of the Swiss construction sector abroad have mainly been limited to border areas in building completion work.

However, there has recently been a perceptible rise in foreign orders, especially due to easier market access to the European Union’s Internal Market, thanks to the Bilateral Agreements. Figures are unfortunately not available on this subject. The attempt of some major Swiss firms to obtain a foothold abroad, among others in the former states of the Soviet Union has failed due the financial crisis.

The gradual economic opening of Switzerland to the European Union has led to increased competition in Switzerland itself. Low earnings in foreign firms’ home markets in the building industry as such, as well as in building-related trades (especially in Germany)

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have lead to a higher level of interest in expanding their activities to Switzerland. Despite of this, production costs are relatively high in Switzerland explaining why only a small number of firms finally enter the Swiss market.

3. Housebuilding

According to the Federal Office of Statistics, around 44,200 new dwelling units were built in 2008 (about 42,900 in 2007). At the end of 2009, the number of dwellings under construction was slightly higher than at the end of the previous year. The data from the survey carried out by the Swiss Contractors’ Federation confirm a stable housebuilding sector. In the 3rd quarter of 2009, the turnover in housebuilding increased by a remarkable 7.0%. Low mortgage interest rates and stable immigration seem to sustain the demand for dwellings.

By far, most dwellings were built in the conurbations of the bigger cities (Zurich, Basel and Geneva). That is also where housing prices are the highest in Switzerland.

For quite some time there has been a shift of investment activity within the construction sector from new construction to the area of R&M. However, in the course of the continuing housing construction boom in the last three years, investment in new construction has outpaced expenditure for R&M. According to data from the Federal Office of Statistics, around 60% of construction expenditure in Switzerland is invested in new buildings and 40% in alteration and rehabilitation works, mostly in the form of completion works (2007). In 1980, this ratio in Switzerland was around 80% (new buildings) to 20% (rebuilding).

4. Non-residential buildings

According to the statistics of the Swiss Contractors’ Federation, investment of public bodies increased by 5.9% during the first three quarters of 2009 (in comparison with the previous period of 2008). By contrast, investments in the private sector decreased by around -1.5%. Past experience shows, that non-residential building reacts especially sensitively to economic contractions.

As a new trend, it can be observed that Switzerland is gaining in attractiveness as an investment location for big tourism projects financed by foreign investors. This will bolster construction activity in rather rural regions.

The private-sector contribution to overall non-residential building amounts to around 80%. Public building construction (administrative buildings, school buildings and hospitals) makes up about 20% of non-residential construction.

5. Civil engineering

In 2009, the volume of total investment in civil engineering is expected to be around 9.4 billion € (including public maintenance works). The increasing infrastructure expenditure can mainly be explained by several major projects (NEAT, CEVA, Durchmesserlinie).

Most infrastructure expenditure is from the public-sector. From 2008 on, the new public infrastructure fund will spend 12.8 billion € over the next 20 years. This will definitely contribute to a stable work load for civil engineering firms.

Due to major infrastructure projects, there are large regional differences in construction activity and local figures do not necessarily reflect the actual situation. In addition, such extensive projects are often executed by construction firms working on a national or even international level and the impact on the regional economy is small and sometimes hardly noticeable.

6. Employment and other quantitative factors

Total employment in the construction sector amounted to around 291,000 people in 2009. According to the Swiss Contractors’ Federation, the number of permanent employees in the building industry remained stable (83,500 persons). Foreign workers (mainly from Portugal, Italy and the countries of ex-Yugoslavia) accounted for around 65% on Swiss construction sites. But an increasing number of qualified German workers are also entering the market and could offer a relief to the shortage of well qualified staff. Though order books are still full, virtually no additional personnel is being hired. Thus companies are working their way more slowly through the backlog of orders.

In the Swiss construction industry, a trend towards temporary workforce (with no fixed or long-term contracts) can be observed. Due to the rigid labour market regulation of recruitment for construction site workers, many firms have switched to this less regulated possibility of recruitment. Estimates suggest around one fifth of all employees are temporarily employed persons in the building industry.

Construction prices - or what a contractor receives for his construction work - increased slightly from 2001 to 2009. During the same period, construction cost (output cost index of the Swiss Contractors’ Federation) increased considerably. However construction costs were mitigated during 2009 by falling energy prices.

Also in 2009, the process of concentration continued. Nevertheless, compared with neighbouring countries, the Swiss construction market is still very fragmented. The biggest Swiss construction firm has a market share of only approximately 5%. The downturn of the construction demand may enhance structural change with further consolidation being indispensable.

The arrival of global players from neighbouring countries on the Swiss market is considered an issue to be examined by the Swiss Construction industry and the effects on the structure of this branch should be analyzed. Often this happens in an almost invisible fashion by the purchase of a Swiss company by a foreign giant keeping the original firm’s name.
1. Overview

The repercussions of the financial crisis and the broad global downturn have contributed to a drop in economic activity in Norway. Expansionary fiscal and monetary policy could not prevent GDP from falling in 2009, but the negative growth rate seems to be only about -1%. We expect the Norwegian economy to return to growth as from 2010; the growth rate of Mainland Norway (excluding the oil and gas sector) could reach 2% in 2010.

The central government’s budget for 2010 shows a continued strong increase in public spending, thus maintaining a high level of fiscal stimulus in the economy through the year. In 2009, the fiscal stimulus totalled about 2.3% of the GDP for Mainland Norway. Unlike other countries, the Norwegian government is able to use the huge surpluses on the state budgets, generated by petroleum taxes and revenues, to pay for its increased spending.

As in 2009, the fiscal measures in 2010 are directed towards roads and railway projects, which are in need of upgrading. In addition, the government is investing in the renovation of public buildings and also new building projects in the education and health care sectors.

Taking into consideration the fact that the financial markets have to returned to close to normal activity, the need for such measures from the government in 2010 will be limited. In fact, Norges Bank has already started to lift the sight deposit rate of interest, the first hike was on 28th October 2009 and the second in December 2009.

Income growth, low interest rates, and increasing house prices prevented a reduction in private consumption in 2009. The financial crises and general uncertainties about the future reduced the growth rate in private consumption to almost zero, but negative growth was prevented. In 2010, the negative effect from the financial crises on households’ consumption will fade, and growth will be restored. The forecasts show a growth in private consumption of about 5% in 2010.

Employment fell and unemployment increased during the 2nd half of 2008 and the 1st half of 2009. While employment has continued to fall, unemployment has been more or less stable, indicating that the total labour force has been reduced. A further decrease in employment is expected in 2010. However, the reduction in the labour force will probably not continue, resulting in increased unemployment. The drop in employment so far has been particularly marked in manufacturing and the construction industry. These two industries are expected to face falling employment also in 2010.

The increase in public sector employment has mitigated the drop in employment as a whole. However, unemployment increased from 2.6% in 2008 to 3.2% in 2009, and is expected to reach 3.5% in 2010.
2. Overall construction activity

Despite the emerging financial crises and a sharp downturn in the business cycle, total output in the construction sector in 2008 matched the extraordinary high level of activity registered in 2007. However activity started to fall during the 2nd half of 2008, and this development continued into 2009, with accelerating speed.

Although construction activity shrunk in 2009, the contraction – as mentioned above – came from the basis of an extremely high level of output. Measured in constant prices, construction industry output was more than 30% higher in 2007 and 2008 compared to 2003.

It was mainly the housing sector that was responsible for the near zero growth in 2008. Housing output was showing signs of weakening at the end of 2007, and plummeted during 2008. However, the volume of non-residential buildings increased compared to 2007, as did the rehabilitation and maintenance (R&M) of buildings. The level of output in the civil engineering sector was unchanged from 2007 to 2008.

The downturn in the housing sector started a year or so before the financial crisis emerged, as a consequence of domestic factors. The years before 2007 were characterized by rapid growth in prices of new houses and increases in interest rates. In 2006, and especially in 2007, the combination of high house prices and high interest rates made the cost of a new home too high for many households. The financial crises and the general downturn in the economy accelerated the reduction in housing output towards the 2nd half of 2008. The reduction continued into 2009; and from 2007 to 2009, the total number of housing starts is set to have fallen by almost 40%.

Our predictions for growth in the construction industry in 2010 are based on the forecasts for economic growth and the development in the labour market as mentioned above. These forecasts assume that the financial crises have more or less come to an end, and that the business cycle reached the bottom during the 2nd or the 3rd quarter of 2009 in the major economic areas.

- Total construction: -4% in 2010.
- Residential construction: +5% in 2010.
- Non-residential construction: -10% in 2010.
- Civil engineering: -2% in 2010.

3. Housebuilding

A negative turnaround in the housing market started as early as autumn 2006, but became more evident in 2007. Both supply and demand side factors contributed to this turnaround. Building costs, house prices, housing output and loan rates were now simply too high to clear the housing market. Clearly, the financial and
business cycle downturn beginning in 2008 added to the slump in
the housing market.

Housing approvals (actual housing starts are unfortunately not
registered) dropped from 32,500 in 2007, to 26,000 in 2008 and
20,000 in 2009. A rise to 22,000 is expected in 2010. Actual
housing starts may have been as low as 20,000 already in 2008, and
probably below 20,000 in 2009. In general, flats are expected
to be the most adversely hit.

The anticipated recovery in the Norwegian housing market from
2010 depends on a number of factors, for example:

- cyclical upturn (i.e. stronger global and national GDP growth
  impulses),
- continued expansionary fiscal and monetary policies,
- continued reduced building costs and prices of new homes as
  seen the last couple of years,
- more positive market sentiment,
- normalisation in the financial markets (i.e. higher risk tolerance
  among market participants, higher liquidity, and less restrictive
  credit practices),
- adequate supply of serviced building sites in the bigger cities,
  and adequate capacity in the public offices responsible for issuing
  building permits,
- increase in the number of households.

While “normal” population growth in Norway is about 0.6%, over
the last three years population growth has been above 1%, mainly
through immigration. In 2007 about 40,000 (i.e. more than 71%)
of the total population increase was net immigration. In 2008, the
figure for net immigration exceeded 43,000.

In the coming years, we expect population growth to decelerate
somewhat, in line with the latest population projections. The
expected reduction in employment in 2010 may also dampen the
number of immigrants. For 2010-2012 we anticipate a population
growth of about 50,000.

In 2010, the Norwegian economy is emerging from the economic
downturn and growth in private consumption will begin to pick
up. Thus, we expect that the drop in housing renovation in 2009
will be followed by a recovery in 2010. At first, only marginally
(+2% in 2010), but subsequently more pronounced over the coming
years.

4. Non-residential buildings

Norway experienced a sharp increase in the output of non-resi-
dential buildings in 2005, after several years with a fairly stable
activity level. The growth over the period from 2005 to 2008
was mainly related to new construction. Repair and maintenance
(R&M) developed fairly moderately.

The area of non-residential building starts increased from about
3.6 million m² in 2004 to about 5.3 million m² in 2007, exclud-
ing buildings for agriculture, forestry and fishing. The figure for
2008 showed hardly any decline (5.2 million m²) according to
official statistics. However, building statistics registration tends to
be delayed by some months. Hence, a possible slowdown in the
area of building starts towards the end of 2008 will not show up
in the statistics until 2009. Still, even taking into account the fact
that statistics for 2008 may be slightly overvalued, non-residential
building starts were surprisingly high in 2008.

Building starts were substantially reduced in 2009, to about
4 million m². This is nevertheless one of the highest levels recorded;

Uncertainty is the key word concerning prospects for 2010 and
according to our forecasts; demand from private firms looks likely
to continue to fall in 2010, despite better prospects for the real
economy. It usually takes a year or two from the bottom of the
business cycle for demand for new buildings from the private
sector to pick up. By contrast, demand from the public sector will
probably remain at a higher level.

Demand for holiday houses and garages is not expected to change
much from 2009 to 2010 – maybe increasing somewhat.

In total, this means that non-residential buildings started will
drop from an area of about 4 million m² in 2009 to about
3.6 million m² in 2010.

Demand for R&M works from will probably be unchanged from
2009 to 2010.

5. Civil engineering

Investment in civil engineering works increased steadily from 2000
to 2007, due to higher investments in roads, railways and urban
transit rail infrastructure, in power supply and in the first part of the
period, also in land based oil and natural gas installations. However,
in 2008 growth stagnated, and preliminary statistics even show a
small reduction. This reduction looks set to have been followed by
a sharp increase in 2009, primarily due to the fiscal measures taken
in support of transport infrastructure, to counteract the financial
crises and economic downturn.

R&M of the civil engineering stock was more or less stable in the
2000 to 2006 period, but increased in 2007 and 2008. Growth in
2008 was strong enough to prevent a fall in total civil engineering
output. Growth in 2009 will be even stronger, for the same reasons
as the growth in investment (fiscal stimulus).

Investment in roads, and since 2006 also in railways, has been the
main engine behind the growth in total investment since 2000.
But even though investment in roads has increased in most years
since 2000, the increase has come from public payment to toll road
companies and from Public-Private Partnership projects (PPPs). In
general, it is not increased government spending that has initiated
the growth. The total level of investment, although increasing, is
considered too low when taking into account the increase in road
traffic and the inferior standard of Norwegian roads.
Investment in railways is financed only through public grants, and even though they have increased sharply in recent years, the level of investment is still quite moderate. Most of the rail infrastructure was constructed in the 1st half of the last century, and cannot be used by high speed trains. There has long been a political goal, agreed upon by most of the political parties in the Norwegian Parliament, to improve the rail infrastructure to enable the passage of high speed trains, but this goal has only materialised to a modest degree in the yearly state budgets so far.

Much of the strong increase in the investments and in R&M of civil engineering works in 2009 is due to additional grants allocated in a government stimulus package on 26th January 2009 to counteract the effects of the economic downturn. In total, investments in roads may have increased by as much as 14% from 2008 to 2009, and investments in railways by more than 25%. This also includes increased investment in urban mass transit rail.

Most of the growth in investment in civil engineering works in 2009 came from the strong increase in public grants to the construction of new roads and railways. Also, total R&M activity in the civil engineering stock grew due to growth in R&M of roads and railways. Even though much of the increase in roads and railway works stems from extraordinary fiscal measures to counteract the downturn in the economy, part of the increase is also due to a long-term plan to increase the standard of public transport works. Like for railways, as described above, there has been long-standing political pressure from the opposition in Parliament and from the public in general, to do something about the quality of Norway’s road infrastructure. This time it appears as if the long-term plan will actually lead to an increase in public grants to both new investment and R&M of roads and railways not taking into account the extraordinary fiscal measures in 2009.

The 2009 extraordinary grants will, however, not be followed up in 2010. Some of the grants allocated in 2009 will nevertheless also influence activity in these sectors into 2010, since some of the works initiated in 2009 will continue into next year.

Road investment looks set to remain at the same level in 2010 as in 2009, but investments in railways and urban mass transit rail may decrease quite substantially. However, this is not only because the extraordinary grants will have expired. The reduction will be exacerbated by the finishing of the first stage of a new underground in Bergen and some major railway stations in the Oslo area. The activity level in the rest of the civil engineering sector may increase slightly, mainly because of higher investments in energy works.

6. Employment

Employment in the construction sector increased year on year from 1993 to 2008. Much of the increase stemmed from foreign workers, and more than 20,000 foreign workers are estimated to be working in the construction sector. Total employment is assumed to have been about 220,000 in 2007. Since many of the foreign workers are unregistered, the figures are only estimates.
1. Overview

Turkey is a dynamic emerging-market economy which is among the 20 largest economies of the world, with a GDP of over 575 billion USD (390.9 billion €) and GDP per capita of 8,000 USD in 2008 (5,439 €).

An incredibly close integration with the world economy, proximity to Europe, the prospect of EU accession, and a lengthening track record of solid economic management and structural reform drive Turkey’s long-run economic prospects.

However, Turkey has been seriously affected by the global recession since the 3rd quarter of 2008, mainly through trade and financial channels with the major industrialised economies. The fall in industrial output started in August 2008 and accelerated in the 1st half of 2009, led by a severe decline in manufacturing output, especially in the textile sector; the automotive sector; and metal production.

In response to the economic crisis, the government increased public spending and announced temporary tax cuts and investment incentives aimed at stimulating the economy. As a result, the primary fiscal balance in 2008 is projected to fall into a deficit for the first time since the 2001 crisis. According to the New Medium-Term Economic Programme for 2010-2012 adopted by the State Planning Organization, the primary budget deficit is expected to record a surplus once again in 2011, when the government plans to introduce fiscal tightening measures and toughen budgetary targets. The debt to GDP ratio, which had increased to 43% at the end of June 2009, is expected to stabilise by 2011.

Despite the strong economic gains from 2002-2007, which were largely due to renewed investor interest in emerging markets, IMF backing, and a tighter fiscal policy, the economy is still burdened by a high current account deficit and high external debt. External debt, mostly in the private sector, rose from 16% of GDP in 2004 to 25% by the end of 2008. High amortizations of this debt in 2009 and 2010 create additional economic uncertainty, given tight global credit conditions in 2009.

The main macroeconomic risks stem from low consumer and investor confidence; a slow recovery of Turkey’s main trading partners and failure to stabilise growing fiscal imbalances. Turkey will remain dependent on domestic and external funding to finance its fiscal and current account deficits.

The unemployment rate stood at 13% at October 2009.

Reforms to the business environment, particularly relating to FDI and exports, may help generate growth that is sustainably financed and measures to increase labour market flexibility will help translate economic growth into jobs.

The inflation rate amounted to 10% and 6.5% in 2008 and 2009 respectively.
Finally, Turkey’s development agenda focuses on a vision of Turkey with stable growth, a more equitable income distribution, and increased global competitiveness, as the country transforms into an information society and completes EU harmonization. Development priorities are therefore clustered around improved competitiveness and employment, equitable human and social development, the efficient provision of high-quality public services, and energy security and efficiency, with an emphasis on the reduction of regional disparities.

2. Overall construction activity

The Turkish construction sector plays a key role in the Turkish economy because of its capacity to create employment and welfare. It is on the way to establishing a worldwide reputation with its easy adaptability to technological developments, its experience in all fields of construction activity and its skilled workforce.

However, the Turkish construction sector, which had been enjoying rapid growth since 2002, began to slow in 2007 with the onset of the global economic downturn. This contraction continued to reach -15.3% in 2008 and for the first nine months of 2009, growth in the sector has continued to decline by -19.5%.

During the first six months of 2009, 48% of all investments made in Turkey were carried out in the construction sector, 40% of these through the public sector and 60% by the private sector.

3. Housebuilding

Housebuilding is an important contracting service which protects the construction sector from possible fluctuations and helps it to emerge from crises.

Factors which continue to influence the demand for housing in Turkey are the increase in population, rural-urban migration, changes in family structures leading to smaller households, an increase in the importance attached to quality in housing which has resulted from the emergence of changes in the socio-economic structure and, with increased public awareness of earthquakes, the desire to move to a safe home and finally high ratios of employment.

According to the report headed “The Need for Housing in Turkey and the Development Potential of the Home Financing System Dependent on Demand and Its Contribution to the Economy of the Country 2015”, which was prepared by the Association of Real Estate Investment Companies, it is considered that there will be a need for 5,542,000 homes in the period from 2008 to 2015. It is estimated that 2,880,000 of this need will result from the increase in the number of households, that 760,000 will result from migration and that a further 652,000 will be the result of the need for renewals.

It is expected that the housing deficit will reach 600,000 by 2010 and exceed 800,000 by 2015.
During the 1st half of 2009, 38,363 residential buildings were built, representing a 1.6% increase over the previous year. The share of the private sector reached the very high level of 86.6%. An increase of 63.1% in 2004 and 65.4% in 2005 indicated a revival in the housing market. In 2006 this increase was only 9.6%.

However, the upward trend could not be maintained in 2007, for declines in terms of numbers of buildings of -8.2% and of -3.9% in terms of area (m²) took place, the only increase being in value (+5%). The decrease in the number of building permits issued reached -13.8% in 2008. The downward trend also continued in the first half of 2009 and a decline of -13.5% took place in comparison with the same period of the previous year.

The share of housing investments in all investment in Turkey varies between 15 and 30% while its share in terms of GDP varies between 2% and 8%. According to data issued by the Turkish Statistical Institute and the State Planning Organization, it is anticipated that the output value of the housing stock will reach 420 billion USD (294.3 billion €) in 2010 and 502 billion USD (351.7 billion €) in 2015.

The share of housing investments in total construction investment was 58.8% in 2006 and 51.8% in 2007. While the share of the public sector in housing investments in 2007 was 61.1%, the share of the private sector reached the very high level of 86.6%. An increase of 1.6% over the previous year was registered in the share of the public sector.

During the 1st half of 2009, 38,363 residential buildings were granted building permits of which 37,146 were for the private sector and 1,217 for the public sector.

4. Non-residential buildings

The value of non-residential building investment in Turkey reached approximately 12.9 billion USD (8.8 billion €) in 2008. 9.7 billion USD (6.6 billion €) of the aforementioned investments were carried out by the private sector and 3.2 billion USD (2.2 billion €) by the public sector.

In the 1st half of 2009, the share of non-residential buildings in total construction investment was around 26% in terms of value, while its share varies between 20% and 30% in total building investment in terms of area.

For the 1st half of 2009 according to the building permits issued, non-residential building investment reached 12,365,000 m² with a value of 4.2 billion USD (3 billion €).

5. Civil engineering

According to the "General Economic Targets and Investments 2010" report adopted by the State Planning Organization, the biggest share of public investment in 2010 was taken by the transport sector. It is estimated that while public sector investments in constant prices will increase in the ratio of 10.3%, private fixed capital investments will rise by 7% in 2010. It is also believed that the share of energy and building sector investments may decrease in 2010.

Infrastructure investments are regarded as the dynamo of the economy and economic growth. They are also important in order to secure increases in output and efficiency. However, there are many infrastructure projects in Turkey for which completion has been delayed for periods due to lack of funds and rising costs. In order to overcome these difficulties the Turkish government is tending to favour infrastructure projects on the basis of BOT (Build-Operate-Transfer) and PPPs (Public-Private Partnerships).

Public fixed capital investments in Turkey are concentrated mainly in infrastructure. Turkey is classified in the Public Participation in Infrastructure (PPI) Database, which is the product of the PPIAF Unit of the World Bank, as being among the medium-high income countries and also in the European and Central Asian Regions. Among the countries in the group which includes Turkey in terms of per capita gross national income; Turkey occupies a place above the average for Europe and Central Asia and below the average for the medium-high income countries.

Sectoral, regional and project-based priorities in public infrastructure investments are set out in the Medium-Term Programme adopted by the State Planning Organization. In the 2009-2011 allocations in terms of sectors, priority will be given to infrastructure investments aimed at developing e-government, information and communications technologies in conformity with the needs of education, technology research, transport, drinking water and the Information Society Strategy. In regional terms, the objective is to use public investments as an instrument for regional economic and social development and to mitigate differences in regional development levels.

In Turkey, infrastructure investments particularly focus on transport, energy, water and sewerage and telecommunication.

Turkey’s transport system mainly depends upon road transport in terms of passenger and freight transport. A new Transport Master Plan Strategy was announced on 11th October 2005 by the Ministry of Transport. The strategy aims to establish more efficient, faster and environment-friendly transport systems and make more effective use of the country’s resources. Within the scope of the Strategy, it is aimed to deal with the country’s transport system as a whole, including road and air transport and with the expansion of sea and railway transport being taken as a matter of priority and thus to ensure a more balanced use of the available means of transport.

Recently, an investment programme has been announced by the government focusing on railway development. According to this programme, until the year 2023, 1,311 km of new railway is planned for construction whilst a huge rehabilitation and maintenance (R&M) programme will be started for the existing railway network. Furthermore, tenders for the construction of stations in the bigger cities on a PPP basis will be announced.

Turkey’s demand for energy increased with an annual average of 8% between the years 2002-2008 mainly originating from economic
growth and urbanization. In addition to domestic expansion, the strategic location of Turkey enables the country to serve as an energy corridor between the Middle East, the countries of Central Asia and Europe.

Turkey has already established a strategic role, serving as a transit country between energy rich countries of the Caspian region, Central Asia and the Middle East and European markets. Turkey has the potential to serve as key energy provider to advanced economies in Europe. It is anticipated that during the next 20-25 years oil will continue to predominate in general energy consumption and that there will also be a significant rise in the consumption of natural gas in EU countries.

Not only the liberalization efforts in the Turkish energy sector (electricity, oil and gas) but also the opportunities for alternative energy investments in nuclear, bio-fuel, and renewable energy (wind, solar etc.) offers great potential.

Turkey’s water and sewerage investments have been set down in parallel with the priorities of the Medium-Term Programme. Water storage facilities such as dams, hydroelectric power plants, irrigation ponds, and flood prevention structures, which are mainly undertaken by the General Directorate of State Hydraulic Works (DSI) provide on the one hand, a supply of hydroelectric energy for the developing industry and on the other hand water for irrigation. Besides, some water and sewerage investments are made by municipalities. Both at the national level and for certain districts there are also plans for the liberalization of the water and sewerage investments, this is progressing slowly but smoothly.

It is clear that Information and Communication Technologies (ICT) play a vital role in advancing economic growth and competitiveness globally. Also for Turkey, the telecommunication sector is of strategic interest and should be developed in a way that enables the whole society to have access to these services. In the meantime, its development mirrors that of the economy and society as a whole.

Today the Turkish telecommunications market is fully liberal with domestic and international service suppliers and has gained a great deal of expertise in recent years. The Turkish market players are also looking very keenly on neighboring markets in this field.

6. Employment

The Turkish construction sector employed 1.4 million people and it accounted for 6.3% of the total employment in the January to October 2009 period.
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Total construction in 2009 (EU 27): 1,173 billion €, 9.9% of GDP in 2009 (EU 27): 51.4% of Gross Fixed Capital Formation.

3 million enterprises (EU 27), of which:
- 95% are SMEs with fewer than 20 operatives
- 93% with fewer than 10 operatives

44.6 million workers in the EU depend, directly or indirectly, on the construction sector*

Multiplier effect:
1 person working in the construction industry = 2 further persons working in other sector*


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**SECTEURS** - **SECTORS** - **SEKTOREN**

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   1.2 (c) Non Résidentiel/Non Residential/Nichtwohnbau
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2. Génie Civil/Civil Engineering/Tiefbau

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