



**Russian-Ukrainian conflict**  
**Impact on the construction sector**  
**22/03/2023**

# EUROPE

	Russia & Ukraine: key information
General	<p><b>RUSSIA</b></p> <ul style="list-style-type: none"> <li>• Russia's GDP fell by 1.9% between January and October 2022.</li> <li>• Crude oil rose by 2.4% between January and October 2022.</li> <li>• Inflation is 11.88% between December 2021 and December 2022 - for companies it is 19.6% (construction: 16.7%)(<a href="#">Treasury</a>).</li> </ul> <p><b>UKRAINE</b></p> <ul style="list-style-type: none"> <li>• The annual inflation rate was 26.5% in November 2022.</li> <li>• Annual GDP fell by 30.8% in the third half of 2022.</li> <li>• According to the latest data, more than 50% of Ukraine's energy infrastructure has been destroyed by Russian air strikes and targeted drone campaigns. Ukraine's critical infrastructure (power plants, water supply systems, etc.), businesses, hospitals, kindergartens and households are in urgent need of support, especially as winter temperatures have fallen below zero in most Ukrainian cities (<a href="#">Treasury</a>).</li> </ul> <p><b>ENERGIES</b></p> <p>After rising 68% from January to June, the energy component of the S&amp;P Goldman Sachs Commodity Index (GSCI) ended the year 10% higher than the first trading day of 2022. Global events - including Russia's full-scale invasion of Ukraine, which has been ongoing since last February - contributed to greater volatility in the energy sub-index and higher prices for some energy commodities at the end of 2022.</p> <p>The S&amp;P GSCI is a weighted average of 24 individual commodity contracts organised into five sub-indices. The weight assigned to each commodity reflects its importance to the global economy, as measured by its production volume and liquidity (<a href="#">EIA</a>).</p>

	<div>Components of the S&amp;P Goldman Sachs Commodity Index (2022) percentage change since first trading day of the year</div> <div><table><thead><tr><th>Commodity</th><th>Category</th><th>Percentage Change (%)</th></tr></thead><tbody><tr><td>ULSD (heating oil)</td><td>energy</td><td>42</td></tr><tr><td>gasoil</td><td>energy</td><td>38</td></tr><tr><td>natural gas</td><td>energy</td><td>20</td></tr><tr><td>RBOB (wholesale gasoline)</td><td>energy</td><td>5</td></tr><tr><td>Brent crude oil</td><td>energy</td><td>3</td></tr><tr><td>West Texas Intermediate crude oil</td><td>energy</td><td>2</td></tr><tr><td>nickel</td><td>industrial metals</td><td>42</td></tr><tr><td>lead</td><td>industrial metals</td><td>1</td></tr><tr><td>copper</td><td>industrial metals</td><td>-15</td></tr><tr><td>aluminum</td><td>industrial metals</td><td>-18</td></tr><tr><td>zinc</td><td>industrial metals</td><td>-20</td></tr><tr><td>corn</td><td>agriculture</td><td>15</td></tr><tr><td>soybean</td><td>agriculture</td><td>12</td></tr><tr><td>Kansas wheat</td><td>agriculture</td><td>10</td></tr><tr><td>sugar</td><td>agriculture</td><td>8</td></tr><tr><td>cocoa</td><td>agriculture</td><td>5</td></tr><tr><td>Chicago wheat</td><td>agriculture</td><td>2</td></tr><tr><td>coffee</td><td>agriculture</td><td>-25</td></tr><tr><td>cotton</td><td>agriculture</td><td>-28</td></tr><tr><td>live cattle</td><td>livestock</td><td>15</td></tr><tr><td>feeder cattle</td><td>livestock</td><td>12</td></tr><tr><td>lean hogs</td><td>livestock</td><td>10</td></tr><tr><td>silver</td><td>precious metals</td><td>5</td></tr><tr><td>gold</td><td>precious metals</td><td>2</td></tr></tbody></table><div><p>Data source: S&amp;P Dow Jones and Bloomberg, L.P. Note: ULSD = Ultra-low sulfur diesel.</p></div></div>	Commodity	Category	Percentage Change (%)	ULSD (heating oil)	energy	42	gasoil	energy	38	natural gas	energy	20	RBOB (wholesale gasoline)	energy	5	Brent crude oil	energy	3	West Texas Intermediate crude oil	energy	2	nickel	industrial metals	42	lead	industrial metals	1	copper	industrial metals	-15	aluminum	industrial metals	-18	zinc	industrial metals	-20	corn	agriculture	15	soybean	agriculture	12	Kansas wheat	agriculture	10	sugar	agriculture	8	cocoa	agriculture	5	Chicago wheat	agriculture	2	coffee	agriculture	-25	cotton	agriculture	-28	live cattle	livestock	15	feeder cattle	livestock	12	lean hogs	livestock	10	silver	precious metals	5	gold	precious metals	2
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Reconstruction	<div>UKRAINE</div> <div>Financing</div> <div><p>In September 2022, the Ukrainian government, the European Commission and the World Bank, in cooperation with partners, estimated that the cost of reconstruction and recovery in Ukraine was \$349 billion (€349 billion). This figure is expected to rise in the coming months as the war continues.</p><p>The assessment covers the impacts of the war between 24 February and 1 June 2022 and found that the physical damage of the war reached more than USD 97 billion. Damage was particularly high in the housing, transport, trade and industry sectors. The report states that recovery and reconstruction needs in the social, productive and infrastructure sectors amount to \$349 billion, or more than 1.5 times Ukraine's GDP in 2021. Over the next 36 months, the RDNA estimates that \$105 billion is needed to address urgent needs such as restoring education and health systems and infrastructure, preparing for the coming winter by restoring heating and power to homes, supporting agriculture, and repairing vital transportation routes. The safe management of debris and explosives, including landmines, also represents a substantial cost (<a href="#">World Bank</a>).</p></div>																																																																											

### Reconstruction yes, but what?

The reconstruction of Ukraine must go beyond the heavy task of rebuilding and restoring damaged physical infrastructure; efforts must be directed at all elements of economic development. Organisations such as the Ukrainian government, humanitarian groups and global financial institutions have provided immediate assistance. The European Bank for Reconstruction and Development (EBRD) has established a recovery fund that currently contains over US\$650 million, all in the form of grants. The aim of the fund is to stabilise and protect private sector growth, and to provide humanitarian assistance, including food security. In addition, in May, the Biden administration pledged \$7.5 billion to the Ukrainian Ministry of Finance to help pay the salaries of health workers and educators, of which \$1.3 billion has been sent.

For aid to go beyond this immediate (and necessary) assistance, it is important to get a detailed picture of the scope and scale of the costs of the war:

- **Physical infrastructure:** As of 22 August 2022, the Ukrainian Ministry of Economy and the Kyiv School of Economics (KSE) estimated that the war had caused damage to physical infrastructure amounting to US\$113.5 billion. It is essential to rebuild this so that the housing, education and employment opportunities needed for reconstruction can develop. It is also an opportunity to re-examine urban planning not just for efficiency or economic growth, but for community development.
- **Education and labour:** More than 2,000 educational institutions were damaged in Ukraine. Before the war, Ukraine's human capital was a key competitive advantage. Rebuilding these institutions and creating opportunities for workers could be key to attracting returning refugees and regaining this economic advantage.
- **The financial sector:** The loss of a key trading partner in Russia has damaged Ukraine's financial sector. With issuer credit ratings of CCC+ by S&P Global Ratings and CC by Fitch Ratings, Ukraine may have difficulty raising funds on its own. It needs capital investment to strengthen its economy and enable post-war economic growth.
- **Government services and revenues:** Not only does the war disrupt trade, leading to a reduction in excise revenues, but it also hinders the collection of other taxes. The World Bank expects Ukraine's budget deficit to increase by US\$5 billion each month until the war ends.
- **Agriculture:** Ukraine's agricultural sector accounted for 11% of the country's GDP, nearly 20% of its labour force and nearly 40% of its total exports before the Russian invasion. But by June 2022, Ukraine's grain exports were down 44%

from June 2021. Damage to farmland, unharvested crops, storage facilities and the like must be addressed if Ukraine's agricultural sector is to return to its previous state ([Deloitte](#)).

### **February 2023**

The EU has sent Ukraine the first €3 billion of the €18 billion loan package, but some EU member states are already finding that this amount will not be enough, Czech Finance Minister Zbyněk Stanjura admitted on 17 January.

18 billion aid package for Ukraine was approved in December 2022 after difficult negotiations. According to the approved regulation, the EU can provide Ukraine with a regular financial loan with monthly payments. However, the agreed amount will probably not be enough, said Stanjura (Civic Democratic Party, ODS - affiliated to the CRE group). "When we see today and every day the attacks of the Russian army, the increasing damage they are doing to the infrastructure of Ukraine, but also to the residential areas, I guess the financial needs will be even bigger than we thought in November or December," Stanjura said after the meeting between EU finance ministers ([Euractiv](#)).

Meeting on Wednesday 23 January, the Foreign Ministers of the EU-27 agreed to provide Kiev with a further half a billion euros in arms. The ministers also agreed to add another 45 million euros in aid. This is aimed at training Ukrainian soldiers on EU territory. These assistance measures come from the European Peace Facility, an instrument created in March 2021 to finance EU external actions with a military dimension ([All Europe](#)).

### **March 2023**

The cost of rebuilding Ukraine could reach \$700 billion. The damage is colossal and work has already begun in parts of the country now spared from the fighting. In August 2022, the Ukrainian Ministry of Defence estimated on Twitter that 140,000 residential buildings had been destroyed or damaged. Since then, thousands more have been gutted. In addition, cultural heritage, bridges, roads, hospitals and power plants have been destroyed by Russian bombing. According to UN figures reported by [Voice Of America radio](#), by December half of the country's energy infrastructure had been destroyed.

While there is no shortage of skills [in reconstruction], the needs are mainly material. "The first need is for energy, water and heating, so the infrastructure must be repaired," explains Martin Duplantier, architect and urban planner, president of the Architecture et maîtres d'ouvrage association, who works on many Ukrainian projects. But if you have to rebuild quickly, you also have to do it well.

This raises the question of quantifying the cost of rebuilding the country. A report published in September by the Ukrainian government, the World Bank and the European Commission and relayed by [Reuters](#) puts the figure at 350 billion dollars. But

	<p>estimating an amount "is a difficult task, especially since Ukraine does not control 18% of its territory and we don't know when the conflict will end," says Yuriy Gorodnichenko, a CEPR member and professor of economics at the University of California and co-author of <a href="#">a report on the reconstruction of Ukraine</a>.</p> <p><i>"What is clear is that the figure will probably be around €700 billion, but it could be higher."</i></p> <p>The task undertaken by the Ukrainians promises to be colossal, "the biggest economic project (...) in Europe in our time", as the Ukrainian President put it <a href="#">last September</a>. Above all, the authorities will have to think about their priorities. "You don't repair a city of 100,000 inhabitants in the same way if only 30,000 return," explains Alexander Shevchenko, the founder of <a href="#">Restart Ukraine</a>, a group of Ukrainian researchers, architects and urban planners, whose mission is to think about a green reconstruction of the country (France TV, <a href="#">Fabien Jannic-Cherbonnel</a>, 16/02/2023, Guerre en Ukraine-comment le pays prépare sa reconstruction malgré les bombes qui se rainent encore)</p>
<b>GENERAL BALANCE SHEET</b>	<p>On 24 February 2022, Vladimir Putin unleashed his troops on Ukraine for a lightning operation. One year of war later, Kiev continues to resist, but the toll - tens of thousands of deaths, Dantesque destruction, an economy on its knees - is terrifying.</p> <ul style="list-style-type: none"> <li>• 180,000 dead or wounded among Russian soldiers, 100,000 on the Ukrainian side: the toll, according to Norway, of military losses is staggering. Other Western sources mention 150,000 losses on each side. This compares, for the Russian side, to the 15,000 Red Army soldiers killed in ten years of war in Afghanistan (1979-1989).</li> <li>• In Mariupol, a southern port city, more than 20,000 Ukrainian civilians died in the battle that ended in May, Kiev estimated. In total, between 30,000 and 40,000 Ukrainians have lost their lives in the conflict, according to Western sources. At the end of January, the UN estimated the number of dead and wounded at 18,000, while acknowledging that <i>"the real figures are considerably higher"</i>. Among the dead, more than 400 children, according to Kiev.</li> <li>• Almost 65,000 cases of alleged war crimes have been reported, according to EU Justice Commissioner Didier Reynders.</li> <li>• The "active" front line stretches 1,500 km from north to south in eastern Ukraine, according to Ukrainian army chief Valery Zaloujny.</li> <li>• The cost is dramatic for the country, whose GDP has contracted by 35% in 2022, according to the World Bank. The Kyiv School of Economics estimated in January 2023 the amount of damage at 138 billion dollars, and more than 34 billion in losses for agriculture. Unesco counts more than 3,000 schools and 239 cultural sites affected.</li> <li>• Since September 2022, Moscow has systematically targeted energy infrastructure. By December, almost half of the country's energy infrastructure had been damaged, leaving Ukrainians in the dark and cold.</li> <li>• According to the UN, the fighting has already forced nearly 8 million people to leave Ukraine, and more than 5 million are internally displaced.</li> <li>• 37.9 billion in military aid pledged to Kiev by its partners (<a href="#">Euractiv</a>).</li> </ul>

	Germany	
	General	Construction
<b>Economic conditions</b>	<p><b>February 2023</b> Annual inflation slowed down at the end of 2022, reaching 8.6% at the end of December 2022. While annual GDP growth was 0.4% (<a href="#">German Statistical Office</a>).</p> <p><b>March 2023</b> German GDP is projected at 0.1% for the year 2023, while its annual inflation is expected to slow down to 7.2% (<a href="#">IMF</a>). In January 2023, the inflation rate was +8.7%, compared to the same month of the previous year (<a href="#">German Statistical Office</a>).</p>	<p><b>February 2023</b> At the end of November 2022, construction output fell by 2.2% compared with the previous month (<a href="#">German Statistical Office</a>).</p> <p>At the end of November 2022, new orders in the building and civil engineering sector for companies with 20 or more employees fell by 0.6% compared to the same month in the previous year (<a href="#">German Statistical Office</a>).</p>
<b>Raw materials</b>	<p><b>Procurement</b></p> <p><b>December 2022</b> In Germany, imports from Russia accounted for 2.6% of total imports from January to July 2022. In 2021, this share was 2.4%. The fact that Russian goods accounted for a larger share of total German imports is due to the sharp rise in prices of raw materials and energy products (<a href="#">German Statistical Office</a>).</p> <p><b>March 2023</b> The Russian attack on Ukraine and the sanctions imposed on Russia have had a marked impact on German foreign trade in 2022. According to the Federal Statistical Office, German exports of goods to Russia fell by 45.2% compared to 2021 to 14.6 billion euros. In the ranking of the most important</p>	<p><b>Price / Cost</b></p> <p><b>February 2023</b> The price of new residential construction has risen considerably in 2022: the Federal Statistical Office has announced an increase of 16.9% for November 2022 compared to November 2021. "The explosion in the price of building materials - especially in the first half of 2022 - could not be borne by the construction companies alone. Companies had to take into account the increase in material and energy prices when calculating the costs of new projects. However, the resulting increase in construction prices is a boomerang for new residential construction. Many projects have been suspended or even cancelled. Order intake fell by 14% in real terms in the first ten months of 2022 and residential construction has</p>



	<p>German export destinations, Russia has dropped from 15th to 23rd place compared to the previous year. Russia was an important energy supplier for Germany until the second half of the year. The war in Ukraine led to a sharp rise in the price of energy imports. As a result, the value of German imports from Russia increased by 6.5% to €35.3 billion in 2022. The quantity of goods imported from Russia, however, decreased by 41.5%. As a result, Russia has dropped from 12th to 14th place in the ranking of major suppliers of goods. The lack of energy imports from Russia has been partly replaced by supplies from other Eastern European countries, especially Kazakhstan (<a href="#">German Statistical Office</a>).</p>	<p>the highest cancellation rate of all construction sectors," said Tim-Oliver Müller, Managing Director of the Federation of the German Construction Industry (<a href="#">BauIndustrie, 2023</a>).</p> <p>Although most producer prices for building materials have been falling since June 2022, they remain at a high level. In November 2022, the producer price index for bitumen was <b>53%</b> higher than in January 2021, <b>49% higher</b> for reinforcing steel and <b>45% higher</b> for construction timber (<a href="#">BauIndustrie, 2022</a>).</p> <p><b>March 2023</b></p> <p>Delivery bottlenecks, material shortages and rising energy prices - the Covid-19 pandemic and the war in Ukraine have had a major impact on construction in 2022. According to the Federal Statistical Office, the annual average price of almost all building materials rose considerably in 2022 compared to the previous year, which had already seen significant price increases. The main upward effect on construction prices came from rising energy prices. Increases were observed in particular in the prices of building materials such as steel, steel products or glass, whose production is energy-intensive. On annual average, steel bars were 40.4% more expensive in 2022. The price of bright steel rose by 39.1%, that of concrete reinforcing mesh by 38.1% and that of steel tubes by 32.2%, compared with the annual average for 2021. In structural work, for example, steel is often used in combination with concrete to reinforce floor slabs, ceilings, or walls. Overall, metal prices are up 26.5% in 2022 compared to the previous year. The price of flat glass, which is typically used for windows, glass doors or glass walls, increased by 49.3% in 2022 compared to the annual average in 2021. For comparison: the producer price index for industrial products</p>
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		(total) increased by 32.9% in 2022 compared to the annual average of 2021. Excluding energy prices, producer prices have increased by 14.0% as an annual average compared to 2021 ( <a href="#">German Statistical Office</a> ).
<b>Cost of energy</b>	<b>February 2023</b> Electricity and natural gas prices have increased on average by more than 150% (base 2015 = 100)( <a href="#">German Statistical Office, 2023</a> ).	
<b>Measures adopted by public services</b>	<p><b>September 2022</b> In recognition of the need to make award procedures competitive again, a federal department ordered in March 2022 (by means of decrees) that <b>material price indexation clauses</b> be agreed for <b>sensitive building materials when awarding construction contracts</b>. These measures were introduced with immediate effect and are only binding on <b>federal construction sites</b>. The orders deal in particular with the <b>management of existing contracts in response to supply shortages and price increases</b>. This will have an impact on how clients and contractors deal with delivery shortages due to the war in Ukraine or other circumstances beyond the control of the contractor, as well as conflict-induced price increases in the event of a disruption to the contractual basis. In the future, the decrees will also have an impact on the adjustment of contractual practices of concluded contracts, by agreeing on <b>material price increase clauses</b> (FIEC, September 2022).</p> <p>The federal government has decided to mitigate the effects of the sharp rise in energy prices with three measures, worth a total of 95 billion euros. These measures include a 9-euro ticket, a reduction on fuel, an increase in personal income tax, a one-off payment of 200 euros for recipients of social benefits, a 100-euro child bonus, the abolition of the tax on renewable energy sources (from 1<sup>er</sup> July 2022), two heating cost subsidies for people receiving housing benefit and a 300-euro flat-rate on the price of energy (paid in September 2022).</p> <p>The restructured housing allowance and the new basic income for citizens that will replace the 'Hartz 4' payments will increase from 1 January 2023. At the same time, the federal government is doing everything in its power to maintain the energy supply (<a href="#">The Federal Government, September 2022</a>).</p> <p><b>October 2022</b> A huge <u>aid package of up to €200 billion</u> is planned to protect consumers and businesses from high energy prices for the years 2022, 2023 and 2024.</p> <p><b>February 2023</b></p>	

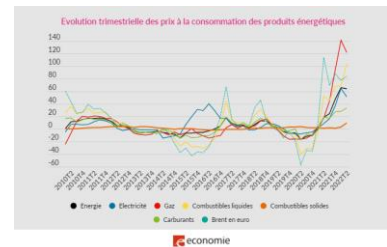
	<p>On 25 November 2022, the government presented its draft law on price breaks for electricity, gas and heat. The Bundestag passed the bill on 15 December 2022, with the bill coming into force on 24 December 2022.</p> <ul style="list-style-type: none"> <li> <b>Brake on gas and heat prices for private households and small and medium-sized enterprises:</b>  The gas price brake will apply to citizens and small and medium-sized enterprises from March 2023 and will also cover the months of January and February retroactively. An allocated amount of 80% of their natural gas consumption will be capped at 12 cents per kilowatt hour, which is a reduction compared to the market price. The capped price for heat is 9.5 cents per kilowatt hour. Consumers must pay the normal market price for the rest of their consumption. </li> <li> <b>Gas price breaks for the industrial sector:</b>  From January 2023, industrial customers will receive 70% of their 2021 natural gas consumption from their suppliers at a guaranteed price of 7 cents per kilowatt hour. The price for heat is capped at 7.5 cents per kilowatt hour for 70% of the quantity used in 2021. Industrial companies will also have to pay the normal market price for their remaining consumption. </li> <li> <b>Curbing electricity prices for households and businesses:</b> <ul style="list-style-type: none"> <li>- The brake on rising electricity prices provides for a cap of 40 cents per kilowatt-hour on the price of electricity for households and small businesses whose annual consumption does not exceed 30,000 kilowatt-hours.</li> <li>- For medium-sized and large companies with an annual consumption of more than 30,000 kilowatt-hours, the price is capped at 13 cents per kilowatt-hour - plus grid costs, taxes, levies and charges (<a href="#">Bundesregierung News, 2023</a>).</li> </ul> </li> </ul>
<b>Positioning of the Federation</b>	<p><b>December 2022</b></p> <p><b>Joint Appeal</b></p> <p>In a joint appeal on 2 December, 17 leading associations and chambers from the building, planning and real estate sector made their demands to the Federal Government and the Bundestag as well as to the leaders of the Länder: "New housing construction in Germany is on the verge of collapse due to soaring prices, rising interest rates and a tattered financing framework. If politicians do not take countermeasures now, we will find ourselves in a housing emergency with our eyes wide open. What we need now are targeted subsidies for new construction, faster planning and approval procedures, and tax incentives for investment." (<a href="#">BauIndustrie, December 2022</a>).</p> <p><b>Joint position paper</b></p> <p>The associations and the building trades have called for measures to stabilise the construction industry.</p>

	<p>The Russian war against the Ukraine threatens to plunge Germany and Europe into an economic crisis. In contrast to past crises, the construction sector, with around 2 million employees and a construction volume of 400 billion euros, is currently affected by major downturns. 17% of residential construction companies were already affected by cancellations in September 2022. While new orders in residential construction fell by 24% in real terms in August compared to the level of the previous year.</p> <p>The Federal Association of Building Materials - Stone and Earth (bbs), the German Construction Industry Association (HDB), the German Construction Industry Association (ZDB) and the German Confederation of Skilled Crafts (ZDH) have addressed the question of how to counteract the slump in the construction sector and avoid a downward spiral at the expense of affordable housing and climate protection in a joint position paper (<a href="#">BauIndustrie</a>).</p> <p><b>March 2023</b></p> <p>In an interview with the newspaper RedaktionsNetzwerk Deutschland, Mr Hübner, President of the German Construction Industry Association (BauIndustrie), presents the needs and expectations of the sector. He called on the state to provide 15 billion euros per year to promote the construction of new flats. And for transport infrastructure, i.e. rail, waterways and roads, a further 25 billion euros. A 40-billion-euro package, in other words. "We now need a clear signal from the ministries of finance, construction, transport and economic affairs. Otherwise we will also miss the climate targets" (<a href="#">BauIndustrie</a>).</p>
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	Austria	
Economic conditions	General	Construction
	<p><b>February 2023</b></p> <p>Austrian GDP was 1.7% in the third quarter of 2022, while its annual inflation slowed to 10.2% by the end of the year (<a href="#">Statistics Austria, 2022</a>).</p> <p><b>March 2023</b></p> <p>IMF estimates put GDP at 1% for 2023 while annual inflation would be 5.1% (<a href="#">IMF</a>).</p>	<p><b>February 2023</b></p> <p>Estimates for industry and construction by Statistics Austria show an increase in the turnover index (+19.4%) in November 2022.</p> <p>"Despite the slowdown compared to the beginning of 2022, the manufacturing sector remains on the growth path. According to an initial estimate, the turnover of Austrian construction companies in November 2022 was 9.5% higher than in the same month of the previous year," explains Tobias Thomas, Director General of <a href="#">Statistics Austria</a>.</p>

Raw materials & Energy	Procurement	Price / Cost
	<p><b>December 2022</b> Before the war in Ukraine, Austria was one of the most dependent EU Member States on Russian gas, with over 80% of its total imports coming from Russia. The government has announced that these imports from Moscow have, since the invasion, been reduced to 21% (<a href="#">Euractiv</a>, November 2022).</p> <p><b>March 2023</b> Russian gas imports into Austria are reaching market shares not seen since the beginning of the war, as Gazprom is again delivering the full contracted quantities, while deliveries from Germany and Italy are decreasing. Indeed, the return of Russian gas to Austria has already been visible since late December 2022. That month, while overall gas imports were lower than in previous years, Russian gas accounted for 71% of the total, according to data from ENTSG and the Austrian regulator, E-Control (<a href="#">Euractiv</a>).</p>	<p><b>February 2023</b> In November 2022, the construction cost index for residential buildings was 6.5% higher than in November 2021, according to Statistics Austria. Road construction costs rose by 13.5%, bridge construction by 6.0% and sanitary engineering by 10.6% in one year (<a href="#">Statistics Austria</a>).</p> <p><b>March 2023</b> The construction price index for building and civil engineering (base year 2020) stood at an annual average of 115.6 index points in 2022, an increase of 9.8% compared to the previous year. In the fourth quarter of 2022, the index registered 118.8 points, an increase both in comparison with the same quarter of the previous year (+10.0%) and with the previous quarter (+1.0%).</p> <p>The overall building sector has maintained an annual average index level of 125.1 in 2022, an increase of 15.6% compared to 2021, as have the two building sectors of housing and land development (124.2 points, +15.0%) and other buildings (126.3 points, +16.3%). In the fourth quarter, the building sector increased to 130.2 index points (+15.6% compared to the same quarter of the previous year; +1.4% compared to the previous quarter). The two construction sectors, housing and apartment building and other buildings, posted an index level of 129.1 and 131.7 in the same period, which represents an increase of 15.2% and 16.2% compared to the previous year.</p> <p>On an annual average basis, civil engineering as a whole reached an index level of 102.4 points in 2022 (+1.1% compared to 2021) and thus increased much less than</p>

		building. In the fourth quarter of 2022, the index reached 103.0 points (+1.3% compared to the same quarter of the previous year; +0.4% compared to the previous quarter). Within the individual civil engineering sectors, the index reached 102.9 points in 2022 for road construction (+1.4% compared to the previous year)( <a href="#">Statistical Office Austria</a> ).
<b>Measures adopted by public services</b>	<p><b>September 2022</b></p> <p>In June 2022, the Alpine republic announced a plan to combat the rising cost of living until 2026, with €6 billion made available from 2022, and €22 billion by 2026. Chancellor Karl Nehammer (ÖVP) has announced the implementation of various measures, such as an increase in certain social benefits, the postponement of a CO2 tax until the autumn and a reform of tax rates (<a href="#">Courrier International, June 2022</a>).</p> <p>Austria will also cap electricity prices for households at up to 80% of last year's average consumption, a measure aimed at controlling soaring energy costs. This measure will save each household an average of €500 per year. Austrian households will have to pay market prices for any consumption above 80% of the average. This is an incentive to reduce consumption, according to the government, which is also working on measures to help businesses (<a href="#">Bloomberg, September 2022</a>).</p> <p><b>November 2022</b></p> <p>The Austrian government wants to ban the installation of new oil, coal and gas heaters from 2023, and extend the ban to the replacement of existing heaters. As Austria is heavily dependent on Russian gas, experts had called for measures to accelerate the exit from gas. From 2023, fossil fuel heating systems will be banned in new buildings, and oil and coal heating systems that are no longer in use must be replaced by environmentally friendly heating systems from 2025. Starting with oil-fired heating systems installed before 1980, the government has set a target of no private oil and coal heating by 2035. By 2040, all gas-fired heating systems must be replaced (<a href="#">Euractiv, November 2022</a>).</p>	
<b>Positioning of the Federation</b>	<p><b>October 2022</b></p> <p>The Austrian Chamber of Crafts and Construction has launched a FAQ to answer all questions from construction companies. It is available on their website, and deals in particular with the topics of employment and the reception of Ukrainians, the consequences and recommendations on <u>construction contracts</u> (<a href="#">WKO, 2022</a>).</p>	

	Belgium	
Economic conditions	General	Construction
	<p><b>February 2023</b> In December, inflation decreased from 10.63% to 10.35% (<a href="#">Statistics Belgium</a>). The <a href="#">National Bank of Belgium</a> forecasts a GDP of 0.6% in 2023.</p> <p><b>March 2023</b> In January, inflation decreased from 10.35% to 8.05% (<a href="#">Statistics Belgium</a>). The IMF forecasts an annual GDP of 0.4% in 2023 (<a href="#">IMF</a>).</p> <p>In 2022, just over 63,000 refugees from Ukraine received a temporary protection certificate in Belgium (<a href="#">Belgium Statistics</a>).</p>	<p><b>February 2023</b> In October 2022, the construction output index remained stable compared to September 2022. The index shows a decrease of 1.6% compared to October 2021 (<a href="#">Statistics Belgium</a>).</p> <p><b>March 2023</b> According to Embuild's latest economic survey, half of the construction companies have earned less profit in 2022 than in the previous year. Furthermore, the majority of contractors fear that there will be no improvement in 2023. The strong increase in material prices and rising labour costs are affecting the profitability of construction companies. Niko Demeester, CEO of Embuild, says in the daily newspapers Le Soir and Het Laatste Nieuws that this drop in profitability leaves little or no room for construction companies to give extra bonuses to workers (<a href="#">Embuild</a>).</p>
Raw materials	Procurement	Price / Cost
	<p><b>November 2022</b> Belgium is expanding its Zeebrugge LNG terminal with an additional capacity of 6.4 bcm/year by 2024 and 1.8 bcm/year by 2026, built by energy company Fluxy LNG. The ten-year investment plan of Fluxys Belgium and Fluxys LNG includes a budget line of €116 million for the planned regasification extensions and a new LNG truck loading quay.</p>	<p><b>October 2022</b></p> 

	<p>Another measure envisaged is the extension of the life of the Tihange 2 nuclear power plant - which should normally close in the first quarter of 2023. The government has asked Engie, which operates the Belgian nuclear power plants, to discuss this with the AFCN, the national nuclear safety authority (<a href="#">Bruegel, November 2022</a>).</p>	<p><b>March 2023</b></p> <p>January 2023 saw a further decline in energy inflation. It stands at 5.21% compared to 32.88% in December 2022. This is a consequence of the strong increase in energy inflation observed in January 2022 (inflation being a measure relative to the previous year) and a drop in electricity and natural gas prices compared to last month. For electricity, inflation is currently at 2.8% compared to 35.5% last month, for natural gas it is down from 73.1% last month to -7.1% this month. Compared to last month, natural gas prices have fallen by 27.7% and electricity prices by 8.6%. The price of heating oil, smoothed over 12 months, rose by 46.7% in one year. Fuel prices were 2.8% higher than in January last year and 0.7% higher this month than last (<a href="#">Statistics Belgium</a>).</p>
<b>Cost of energy</b>	<p><b>October 2022</b></p> <p>Energy prices remain exceptionally high, about 27.3% higher than in October 2021 (<a href="#">National Bank of Belgium</a>). Since the beginning of the crisis, energy price inflation has reached 64.7% (<a href="#">Belgium Economy</a>).</p> <p><b>February 2023</b></p> <p>Energy inflation reaches 32.88% (<a href="#">Statistics Belgium</a>).</p>	
<b>Measures adopted by public services</b>	<p><b>September 2022</b></p> <p>The federal government has taken a series of measures to help businesses cope with the energy crisis. These measures are similar to those applied during the Covid crisis and are in addition to the <a href="#">federal plan</a> to promote investment in sustainable solutions and insulation. It is also about ensuring that they can benefit from measures facilitating temporary unemployment and advocating for a cap on energy prices.</p> <p><u>The measures include:</u></p> <ul style="list-style-type: none"> <li>• The reduced VAT rate (6%) on electricity and gas ;</li> <li>• The reduction of excise duties by €0.175 per litre on diesel and petrol;</li> <li>• The federal government, together with the regions, is examining the implementation of the temporary crisis framework proposed by the European Commission in Belgium to support businesses in the face of soaring prices. A consultation will take place with the most affected sectors, employers' and employees' representatives.</li> </ul>	



- The federal government has already reduced the VAT from 21% to 6% for investments in solar panels, solar boilers and heat pumps for houses less than 10 years old (valid until the end of 2023). The measure to reduce VAT to 6% for demolition and reconstruction has been extended until the end of 2023 under the same conditions as today.
- Extension of the simplified temporary unemployment scheme for reasons of force majeure in the same way as at present. The worker will receive an unemployment benefit equal to 70% of his or her average capped wage. In addition, workers who are temporarily unemployed due to the war in Ukraine will also receive a supplement of €5.63 per day of unemployment, as well as a sectoral top-up allowance if they are entitled to it. These allowances and supplements are subject to a tax deduction of 15% ([Belgium. de, August 2022](#)).

### **Specific support for businesses**

#### Social measures

- Companies in difficulty due to high energy costs will be able to defer the payment of social security contributions;
- The temporary energy unemployment scheme will be activated and aligned with the EU temporary crisis framework;
- A temporary entitlement will be granted to self-employed people who have difficulties with their energy bills;
- Longer repayment plans will be provided for the social contributions of the self-employed;
- An awareness of the early payment of social security contributions for the self-employed will be introduced.

#### Fiscal and financial support measures

- Tax deferral ;
- Tax debt repayment plans ;
- Adjustment of existing investment allowance measures;
- Tax exemption for regional aid measures;
- Reduction of excise duties on gas and electricity to the European minimum for the months of November and December.

#### Other measures

- Temporary moratorium on bankruptcies of companies affected by the energy crisis due to supplier actions;
- Code of conduct between energy suppliers and the self-employed and SMEs;
- As the agri-food sector is a critical sector, it will benefit from a priority energy supply in case of risk of disruption ([NewsBelgium, September 2022](#)).

### **November 2022 - Support measures for businesses and individuals**

The federal government has strengthened its measures to support citizens and businesses during the current energy crisis. One of these measures includes a general deferral of personal, corporate and non-resident tax payments (fiscal year 2022) from two to four months ([EmbuiEmbuild, November 2022](#)).

### **February 2023**

The recent war in Ukraine and the various sanctions against Russia that followed, as well as the uncertainties caused by this military conflict, have led to considerable and even extreme price increases and fluctuations in many finished products, semi-finished products and raw materials in recent months. This is the case for energy, fuel, aluminum, steel, copper, etc. This situation has contributed to the liquidity problems that many tenderers have recently been experiencing. It is therefore appropriate in the current economic situation to create a possibility for the contracting authority to support its contractor by granting an advance payment that can solve the financing problems.

For the reasons mentioned above, the Royal Decree of 29 November 2022 makes the payment of a limited advance temporarily possible, both for contracts yet to be launched and for contracts already launched which are not yet in the process of being executed and for those which are already in the process of being executed.

The conditions for granting these advances are developed in [the FAQs](#).

The Order came into force on 19 December 2022 and will expire on 31 December 2023 ([BOSA](#)).

### **March 2023**

On 6 February, the Belgian federal government reached an agreement on new energy measures that consider the evolution of energy prices. However, these new measures are already being heavily criticised.

For several months now, the Belgian government has been implementing temporary measures to help its citizens cope with high energy prices. But these measures come at a high cost. As proof, the country recorded the [largest budget deficit](#) in the euro zone (5.1% of its GDP) in the third quarter of 2022. [According to Eurostat](#), this result is mainly due to the measures taken to mitigate the impact of high energy prices.

In [a press release](#) announcing the agreement, Belgian Finance Minister Vincent Van Peteghem explains that due to "the stabilisation of prices and the arrival of spring and summer, the temporary support measures are coming to an end".

"We need to reform now to protect people from high energy prices, not only now but also in the future," he says.

The government's agreement provides for the extension of VAT to 6% (from 21%) on gas and electricity from April 2023 and a reform of the excise mechanism for these products.

"Thanks to this reform, price fluctuations such as we experienced last year will be smoothed out and we will ensure that basic energy consumption is protected," added Van Peteghem.

According to the press release, on an annual basis, these measures represent "support of around 300 euros per year at current price levels".

	<p>The agreement also provides for a gradual reduction in the extended social tariff for energy, which until now has ensured an identical tariff throughout Belgium, regardless of the energy supplier or network operator. This tariff, currently based on the income of citizens, will be gradually reduced based on their status.</p> <p>According to the Belgian consumer organisation Test Achat, the return to a status-based system rather than an income-based system means that only those who receive benefits or allowances, such as the disabled, will be entitled to them. However, for the organisation, an income-based system is "a better guarantee to protect low-income families from high energy prices" (<a href="#">Euractiv</a>).</p>
<b>Positioning of the Federation</b>	<p><b>December 2022 - review of 2022 initiatives</b></p> <p>In the context of the energy crisis, Embuild Wallonia and the Union Wallonne des Entreprises (UWE) have alerted the Walloon Government to the need to mobilise aid to cope with rising energy costs. The Government announced the implementation of a series of aids to companies (direct aids, reduced rate loans, etc.), by redirecting approximately 10% of the PRW resources.</p> <p>The energy crisis, prices and availability of materials, wage indexation, rising interest rates, etc. are eroding and further weakening the affordability of housing, the number one household expense. Embuild Wallonia urges the Walloon Government to introduce a temporary moratorium on any new regulation with an additional "price impact" on construction. Embuild Wallonia also advocates the development of innovative or under-exploited projects such as PPPs with ownership and land stripping (to neutralise the price of land), standardised PPPs, or the development of innovative financing formulas, in collaboration with the banking sector, to support the acquisition of quality housing (<a href="#">Build</a>).</p> <p><b>February 2023</b></p> <p>A few weeks ago, the government made a conciliation proposal that companies with high profits could pay a bonus of up to €500 and those with exceptionally high profits could pay a bonus of up to €750. The cross-industry social partners have rejected this proposal, but the government nevertheless seems to want to bring this proposal forward in law. Embuild is urging its members to hold off on granting such a bonus at company level until there is more clarity at sector level (<a href="#">Embuild</a>).</p> <p><b>March 2023</b></p> <p>The Olena Zelenska Foundation implements many measures in support of the Ukrainian people. One of these measures is to provide housing for families, including those with orphans, who have lost their homes due to the Russian invasion of Ukraine. These houses must be able to accommodate between 4 and 10 children and have a shelter in case of a Russian attack. It must also be possible to assemble the houses quickly. The Ukrainian Mission to the European Union is looking for companies to participate in this programme. Contact <a href="#">Embuild for more information</a>.</p>

	Bulgaria	
Economic conditions	General	Construction
	<p><b>February 2023</b> In 2023, Bulgaria's GDP is expected to grow by 3% while inflation will be 5.2% (<a href="#">IMF, 2023</a>).</p> <p><b>March 2023</b> GDP grew by 2.1% in the fourth quarter of 2022 compared to the same quarter of the previous year (<a href="#">Statistics Bulgaria</a>).</p>	<p><b>February 2023</b> The Construction output index increased by 0.4% in November 2022 compared to the previous month. Civil engineering output rose by 0.9% and building construction output remained unchanged. Compared to November 2021, the construction output index rose by 1.6%. An increase was recorded in civil engineering by 3.0% and in building - by 0.5% (<a href="#">Statistics Bulgaria</a>).</p> <p><b>March 2023</b> The Construction output index decreased by 1.6% in December 2022 compared to the previous month. Civil engineering output fell by 1.7% and building construction output by 1.6%.  Compared to December 2021, the production index in construction decreased by 4.3%. A decrease was recorded in building, by 6.1%, and in civil engineering, by 2.0% (<a href="#">Statistics Bulgaria</a>).</p>
Raw materials & Energy	Procurement	Price / Cost
	<p><b>February 2023</b> <a href="#">Azerbaijan</a>: The government has a contract for 1 bcm/year of gas from Azerbaijan and has proposed (along with operators from Romania, Hungary and Slovakia) to increase the volume from 0.5 to 1 bcm/year following the suspension of Russian gas flows.</p>	<p><b>December 2022</b> The total industrial producer price index decreased by 6.2% in October 2022 compared with the previous month. Lower prices were recorded in the supply of electricity, gas, steam and air conditioning by 15.3%, in the mining and quarrying</p>

	<p><u>United States</u>: In May, Bulgargaz, the Bulgarian state-owned gas company, purchased two LNG carriers from Cheniere, with support from the US government. In October, Bulgargaz received a 62 million cubic metre tanker, with the help of the Turkish government to ensure the capacity of the LNG terminal. In July 2022, the Bulgarian company Overgas signed a memorandum of understanding with the US company Excelerate Energy to import LNG via the Vlora terminal in Albania (<u>Bruegel, 2022</u>).</p> <p><b>March 2023</b></p> <p>Bulgarian oil exports to Ukraine correspond to about 1% of the total Bulgarian economy. The main fuel that Bulgaria exports to Ukraine is gas oil (also known as red diesel), which accounts for over 90% of deliveries.</p> <p>Gasoline deliveries have also risen rapidly over the past six months, a phenomenon that is explained by Russian attacks on critical Ukrainian infrastructure.</p> <p>Bulgarian diesel is produced at the country's only refinery in the port city of Burgas, which is owned by the Russian oil company Lukoil. The latter still operates mainly with Russian oil imported by tanker via the Black Sea, thanks to a derogation from EU sanctions.</p> <p>Statistics show that Ukraine is now Bulgaria's third largest trading partner in fuel exports, replacing the US. In 2021, Ukraine was only the eighth most important non-EU destination for Bulgarian exports (<u>Euractiv</u>).</p>	industry by 3.9%, while in the manufacturing industry prices increased by 0.9% ( <u>Statistics Bulgaria</u> ).
Measures adopted by public services	<p><b>October 2022</b></p> <p><u>Proposed EU measures to combat the energy crisis (including price caps)</u>: Bulgaria has remained silent on these issues. It would seem logical that Bulgaria would oppose price restrictions, given that it is the third largest exporter of electricity to the</p>	

	<p>EU this year and earned almost €1.3 billion from electricity exports in the first six months of 2022. A meeting on the subject is expected to be held in late October (<a href="#">Euractiv</a>).</p> <p><u>R&amp;D</u>: A joint working group with North Macedonia has been set up to examine the possibilities of cooperation in the electricity and natural gas transport sectors. The export of electricity from Bulgaria to the Republic of North Macedonia will be one of the focal points of the working group's discussions (<a href="#">Council of Ministers of Bulgaria</a>).</p> <p><u>Inflation</u>: The Council of Ministers has adopted a methodology for modifying the price of a public contract due to inflation. It regulates the procedure and conditions for indexing the execution costs of public <b>works contracts and framework agreements for works</b> concluded under the law due to inflation, when the prices of the main goods and materials constituting the cost of the works have increased substantially. The main objective of the methodology is to address the risk of inflation by objectively and fairly indexing the value of the works performed and to be performed (<a href="#">AOBR, September 2022</a>).</p> <p><b>November 2022</b> The government is pushing to accelerate progress on energy efficiency in this crisis situation, notably by reviving the building renovation projects included in its national recovery and resilience plan, for example by allocating €25 million to repair 175 kindergartens and schools (<a href="#">Bruegel</a>).</p>
<b>Positioning of the Federation</b>	<p>The Bulgarian Construction Federation (AOBR) published in February proposals for urgent measures in relation to the crisis in Ukraine, including the involvement of construction companies in the employment of Ukrainian refugees. As many as 200,000 jobs could be opened. The proposals also mentioned various possible measures to limit the impact of rising energy costs, as well as measures to maintain the competitiveness of Bulgarian companies (<a href="#">AOBR, February 2022</a>).</p> <p>The Federation also insisted that the second quarter quotas of structural steel from Ukraine and Russia be transferred to Turkey, India or other producing countries in order to urgently supply the necessary quantity of these products to the local market.</p>

	Cyprus	
Economic conditions	General	Construction
	<p><b>February 2023</b> In December 2022, inflation slowed down to 7.9% (down 1.12 percentage points). For the year 2022, harmonised inflation will have been 8.4% (<a href="#">Statistics Cyprus</a>).</p> <p><b>March 2023</b> The IMF expects Cyprus' GDP to be 2.5% in 2023, while annual inflation will be 3.8% (<a href="#">IMF</a>).</p>	<p><b>February 2023</b> In the third quarter of 2023, construction output decreased by 5%. The building sector experienced a slowdown of 7.3% while civil engineering had an increase of 10.3% in activity (<a href="#">Statistics Cyprus</a>).</p>
Raw materials & Energy	Procurement	Price / Cost
	<p><b>November 2022</b> Since 2009, the government has proposed to build an LNG regasification facility near the port of Vassiliko. This facility would import LNG for power generation at the Vasilikos power plant (865 MW), as well as for industrial and residential use. It would be built by the Natural Gas Public Company (DEFA), the state-owned gas company, and a Chinese-led consortium to build the LNG import terminal and related infrastructure, at a cost of €250 million. In June 2020, the European Investment Bank agreed to lend €150 million, followed by a €101 million grant from the European Commission, a €80 million loan from the European Bank for Reconstruction and Development and a €43 million capital contribution from the Electricity Authority of Cyprus. While the facility is under construction, it is understood that the Chinese contractors are seeking an additional €25 million in funding to cover cost overruns. This has pushed back the start-up date to July 2023 (<a href="#">Bruegel</a>).</p>	<p><b>February 2023</b> The cost of building materials was 12.65% higher in November 2022, compared to November 2021. By major product category, increases were recorded in minerals (13.25%), mineral products (13.19%), metal products (12.80%), wood products, insulation materials, chemicals and plastics (12.16%) and electromechanical products (11.54%).</p>
Measures adopted by public services	<p><b>October 2022</b> Indexation of wages to inflation.</p>	

<b>Positioning of the Federation</b>	<b>March 2023</b> The Cyprian Construction Association organised a round table at the end of January 2023, with the current situation of the construction industry as its central topic. This was an opportunity for the participants to be informed about the current situation in the construction sector and to discuss the needs that arise with the existing data: rising construction costs, energy issues, the lack of an index for the recovery of additional labour costs, the lack of specialised personnel, the time-consuming process of judging cases, will continue to affect the sector ( <a href="#">OSEOK</a> )
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	Croatia	
Commercial conditions	General	Construction
	<b>February 2023</b> GDP was 5.2% at the end of the second half of 2022, while inflation was 13.5% ( <a href="#">Statistics Croatia</a> ).  <b>March 2023</b> Annual inflation was 13.1% in 2022, slightly lower than in January - November 2022 ( <a href="#">Croatia statistics</a> ).  GDP would be 3.5% in 2023 while inflation would be 5.5% in 2023, according to <a href="#">IMF</a> estimates.	<b>February 2023</b> According to the working day adjusted indices, in October 2022, compared to October 2021, the volume of construction work increased by 4.2%. According to the seasonally and working day adjusted indices, the volume of construction work increased by 0.3% in October 2022 compared to September 2022 ( <a href="#">Croatia statistics</a> ).  <b>March 2023</b> In November 2022, compared to November 2021, the volume of construction work increased by 5.7%. While in November 2022, compared to October 2022, the volume of construction work increased by 1.3% ( <a href="#">Croatia statistics</a> ).
Raw materials & Energy	Procurement	Price / Cost
	<b>November 2022</b>	<b>February 2023</b>



	<p>In March 2022, Croatian Prime Minister Andrej Plenković announced plans to expand capacity per FSRU at the Krk LNG terminal from 2.6 bcm/year to 2.9 bcm/year. In August 2022, the Prime Minister confirmed a further 3.2 bcm/year expansion of the Krk LNG terminal's onshore LNG infrastructure by 2029 to bring total regasification capacity to 6.1 bcm/year. The investment for the expansion amounts to EUR 25 million.</p> <p><b>February 2023</b></p> <p>In October 2022, the electricity available for the domestic market amounted to 1 381 GWhs. Compared to September 2022, the availability of electricity for domestic consumption decreased by 2.8%, while compared to October 2021 it decreased by 7.4%.</p> <p>The amount of natural gas available for domestic consumption in October 2022 was 8,062 TJ and stocks increased by 2,231 TJ, which means that the amount of natural gas available for domestic consumption in October 2022 increased by 43.3% compared to September 2022, while compared to October 2021 it decreased by 14.5%.</p> <p>The quantity of petroleum products available for domestic consumption in October 2022 was 341,000 tonnes and stocks increased by 82,000 tonnes, which means that the quantity of petroleum products available for domestic consumption in October 2022 decreased by 0.3% compared to September 2022, while, compared to October 2021, it increased by 22.7% (<u>Statistics Croatia, 2022</u>).</p> <p>On 28 July 2022, the government adopted guidelines to save energy until 31 March 2023. The proposals include setting thermostat limits (e.g. heating rooms to a maximum of 21 degrees and cooling to 25 degrees), greater use of LED</p>	<p>Domestic producer prices for building materials in December 2022, compared to November 2022, increased by 0.5%, and compared to December 2021, they increased by 9.5%.</p> <p>The comparison of domestic producer prices of building materials shows that they increased by 20.3% in December 2022, compared to the average in 2015 (<u>Statistics Croatia, 2023</u>).</p>
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	lighting and public transport, and cheaper electricity tariffs ( <a href="#">Bruegel</a> , 2022).	
<b>Measures adopted by public services</b>	<p><b>October 2022</b> At the beginning of September, the Croatian government presented a new economic package to deal with the consequences of the ongoing energy crisis and the inflation that peaked in August. According to Prime Minister Andrej Plenković, the package is solid, fair and comprehensive, and should support and protect Croatian households, businesses and non-governmental organisations from the economic and social uncertainties expected in the second half of 2022, as well as in the first months of 2023.</p> <p>The government's measures will limit the increase in electricity prices to 9.6% and in gas prices to 20%, which would otherwise have risen by 23% and 79% respectively.</p> <p>The government had already reduced value added tax (VAT) on gas and heating energy from 25% to 13% permanently, and temporarily reduced VAT on gas to 5% from 1 April 2022, when the measures came into force, to the end of March 2023 (<a href="#">EuroNews</a>).</p> <p><b>November 2022</b> On 28 July 2022, the government adopted guidelines to save energy until 31 March 2023. Proposals include the introduction of thermostat limits (e.g. heating rooms to a maximum of 21 degrees and cooling them to 25 degrees), greater use of LED lighting and public transport, and cheaper electricity tariffs (<a href="#">Bruegel</a>).</p>	
<b>Positioning of the Federation</b>		

	Denmark	
Commercial conditions	General	Construction
	<p><b>February 2023</b> Annual inflation will have been 7.7% in Denmark in 2022 (<a href="#">Statistics Denmark</a>). The IMF forecasts a GDP of 0.6% in</p>	<p><b>February 2023</b> At the beginning of 2023, figures on Danish construction were shared: construction turnover, Q2 2022 (<a href="#">Statistics Denmark</a>).</p>

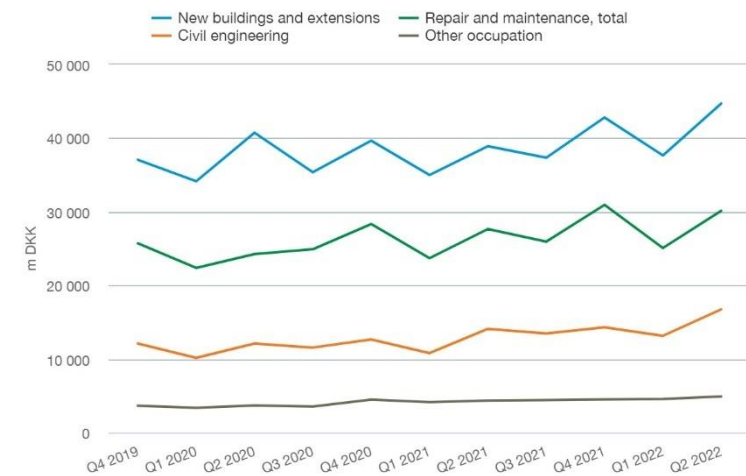
2023, while inflation is expected to return to a level above 3.8% (IMF).

### March 2023

Inflation in January 2023 was 6.6%, down from December 2022 ([Statistics Finland](#)).

### Turnover in construction

Type of work:

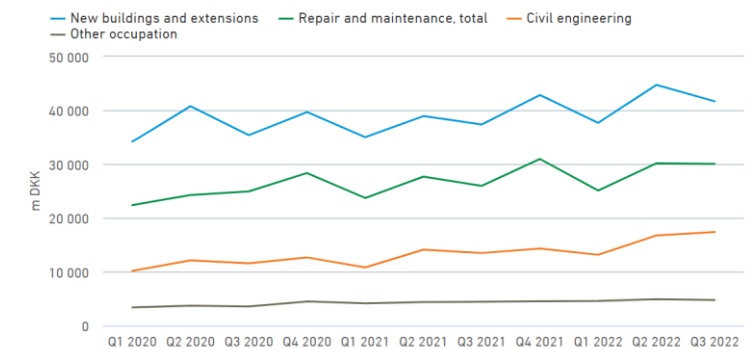


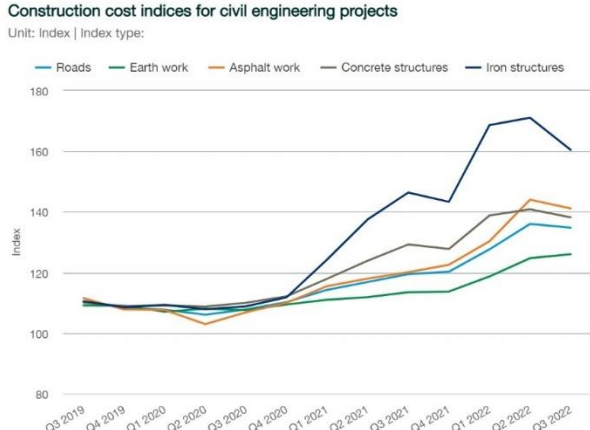
### March 2023

Q3 2022, construction turnover ([Statistics Finland](#)) :

### Turnover in construction

Type of work:



Raw materials & Energy	Procurement	Price / Cost																																																																																				
	<b>February 2023</b> <u>Energy security</u> : The government has accelerated the construction of two offshore wind power islands. One will be based in the North Sea, with a capacity of 3GW, and the other in the Baltic Sea (on Bornholm), with a capacity of 2GW. On 18 May 2022, Denmark, Belgium, the Netherlands and Germany signed an agreement on offshore wind cooperation worth €135 billion in the Danish city of Esbjerg. The North Sea countries have set ambitious combined targets of at least 65GW of offshore wind capacity by 2030 and at least 150GW by 2050, as well as combined targets of around 20GW of onshore and offshore green hydrogen capacity by 2030 ( <a href="#">Bruegel</a> ).	<b>February 2023</b> Civil engineering construction cost index in Q3 2022 ( <a href="#">Statistics Denmark</a> ).  <div>Construction cost indices for civil engineering projects Unit: Index   Index type:</div>  <table><caption>Estimated data from the construction cost indices chart</caption><thead><tr><th>Quarter</th><th>Roads</th><th>Earth work</th><th>Asphalt work</th><th>Concrete structures</th><th>Iron structures</th></tr></thead><tbody><tr><td>Q3 2019</td><td>110</td><td>108</td><td>110</td><td>110</td><td>110</td></tr><tr><td>Q4 2019</td><td>108</td><td>105</td><td>108</td><td>108</td><td>108</td></tr><tr><td>Q1 2020</td><td>105</td><td>102</td><td>105</td><td>105</td><td>105</td></tr><tr><td>Q2 2020</td><td>108</td><td>105</td><td>108</td><td>108</td><td>108</td></tr><tr><td>Q3 2020</td><td>110</td><td>108</td><td>110</td><td>110</td><td>110</td></tr><tr><td>Q4 2020</td><td>112</td><td>110</td><td>112</td><td>112</td><td>112</td></tr><tr><td>Q1 2021</td><td>115</td><td>112</td><td>115</td><td>115</td><td>115</td></tr><tr><td>Q2 2021</td><td>118</td><td>115</td><td>118</td><td>118</td><td>118</td></tr><tr><td>Q3 2021</td><td>120</td><td>118</td><td>120</td><td>120</td><td>120</td></tr><tr><td>Q4 2021</td><td>122</td><td>120</td><td>122</td><td>122</td><td>122</td></tr><tr><td>Q1 2022</td><td>125</td><td>122</td><td>125</td><td>125</td><td>125</td></tr><tr><td>Q2 2022</td><td>135</td><td>125</td><td>135</td><td>135</td><td>170</td></tr><tr><td>Q3 2022</td><td>132</td><td>122</td><td>132</td><td>132</td><td>160</td></tr></tbody></table>	Quarter	Roads	Earth work	Asphalt work	Concrete structures	Iron structures	Q3 2019	110	108	110	110	110	Q4 2019	108	105	108	108	108	Q1 2020	105	102	105	105	105	Q2 2020	108	105	108	108	108	Q3 2020	110	108	110	110	110	Q4 2020	112	110	112	112	112	Q1 2021	115	112	115	115	115	Q2 2021	118	115	118	118	118	Q3 2021	120	118	120	120	120	Q4 2021	122	120	122	122	122	Q1 2022	125	122	125	125	125	Q2 2022	135	125	135	135	170	Q3 2022	132	122	132	132	160
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<b>March 2023</b> According to a new report from the Finnish Wind Energy Association (FWPA), the 75% increase in wind energy capacity last year has significantly boosted the number of foreign investments in the country. In Finland, a total of 437 new wind turbines were commissioned last year, increasing wind energy capacity by 75%. The country now has 1,393 wind turbines with a combined capacity of 5,677 megawatts. Wind power now accounts for an average of 10% of the country's total energy, and this figure is expected to rise. Foreign investment in Finnish wind farms is also very high, with completed projects totalling around €2.9 billion of investment in the Scandinavian country ( <a href="#">Euractiv</a> ).																																																																																						
	<u>Energy security</u> : The state-owned company and the transmission system operator Gasgrid Finland signed a																																																																																					

	<p>project agreement on 16 December 2022 to develop a new part of the regional hydrogen infrastructure network. Pipelines of up to 5,000 kilometres in length are planned to connect the Baltic Sea region and Central Europe by 2030.</p> <p>A project called the Baltic Sea Hydrogen Collector (BHC), as well as other previously launched projects, should complement the EU's hydrogen strategy and the REPowerEU plan. They will also support the EU's climate objectives, such as the Green Deal for Europe and the Fit for 55 package.</p> <p>The Baltic Sea Hydrogen Collector (BHC) project plans to connect mainland Finland, Sweden and the Åland Islands to Germany. Connections could also be built to the islands of Gotland in Sweden and Bornholm in Denmark (<a href="#">Euractiv</a>).</p>	
<b>Measures adopted by public services</b>	<p><b>September 2022</b></p> <ul style="list-style-type: none"> <li>• The Danish Economic Affairs Agency encourages contracting entities to be flexible and engage in dialogue, stating that contracting entities will have to accept price increases from their suppliers as a result of the war.</li> <li>• The Competition and Consumer Authority believes that the consequences of the war between Russia and Ukraine can be used as a basis for the application of the Public Procurement Act in unforeseen circumstances.</li> </ul> <p><b>October 2022</b></p> <p>To mitigate the impact of rising energy prices on households and businesses, the government has released a budget of 6.2 billion euros in aid (<a href="#">Bruegel</a>).</p> <ul style="list-style-type: none"> <li>• The Danish government set aside €13.4 million to supplement an existing scheme to help vulnerable households with a tax-free payment to help around 400,000 households with their energy bills. In February 2022, the measures were finalised and came into effect with a 'heating voucher' (around €800) for 320,000 of the hardest hit households. A €33.6 million fund was also set up to support the accelerated replacement of individual gas heating systems.</li> <li>• On 10 August 2022, larger heating vouchers than previously indicated were paid to 400 000 households. The final cost of the measure was EUR 320 million.</li> </ul>	

	<ul style="list-style-type: none"> <li>At the beginning of September, Prime Minister Mette Fredericksen announced a proposal for intervention in the electricity market. The proposal addresses high energy prices and aims to maintain lighting and heating for Danish citizens. The plan is to allow consumers to defer payment of their next energy bills over a period of 5 years for anything above the level of their bills last autumn. This loan scheme will create credit lines worth 6.05 billion euros for the Danish government.</li> <li>On 15 October 2022, the Danish Energy Agency provisionally set a ceiling price for surplus heat at 93 DKK/GJ, with a planned start date of 1 January 2023.</li> </ul> <p><b>November 2022</b> The Danish Energy Agency (DEA) has launched a \$3.6 million energy saving campaign, encouraging citizens and public places to adopt energy saving behaviour (<a href="#">Bruegel</a>).</p>
<b>Positioning of the Federation</b>	

	<b>Spain</b>																						
<b>Economic conditions</b>	<b>General</b>	<b>Construction</b>																					
	<p><b>February 2023</b> Spain's GDP will be 1.2% in 2023 according to the IMF, while its inflation will be 4.9% (<a href="#">IMF</a>).</p> <p><b>March 2023</b> Annual inflation, January 2023, <a href="#">INE</a>.</p> <p>Consumer Price Index. Base 2021 - January 2023</p> <table> <tr> <th></th><th>Monthly change</th><th>Annual change</th></tr> <tr> <td>Overall index</td><td>-0.2 </td><td>5.9 </td></tr> <tr> <td>Inflación subyacente</td><td>-0.2 </td><td>7.5 </td></tr> </table>		Monthly change	Annual change	Overall index	-0.2	5.9	Inflación subyacente	-0.2	7.5	<p><b>February 2023</b> The annual rate of the house price index falls by four tenths to 7.6%. House prices increase by 1.7% compared to the previous quarter (<a href="#">INE, December 2022</a>).</p> <div> <div> <p>Housing Price Index. Base 2015 - Quarter 3/2022</p> <table> <tr> <th></th><th>Quarterly variation</th><th>Annual change</th></tr> <tr> <td>General index</td><td>1.7 </td><td>7.6 </td></tr> <tr> <td>New dwelling</td><td>0.9 </td><td>6.8 </td></tr> <tr> <td>Second-hand dwelling</td><td>1.9 </td><td>7.8 </td></tr> </table> </div> <div> <p>General index. Quarterly variation </p> </div> </div>		Quarterly variation	Annual change	General index	1.7	7.6	New dwelling	0.9	6.8	Second-hand dwelling	1.9	7.8
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Raw materials & Energy	Procurement	Price / Cost
	<b>November 2022</b> Spain and Portugal are currently working on a joint energy storage solution to mitigate the impact of potential future crises such as the Ukraine on energy prices and supply. Hydrogen, batteries and water are being considered in this project ( <a href="#">Euractiv</a> ).	<b>February 2023</b> Electricity prices in Spain have continued their downward trend to around €85 per megawatt hour, down by more than 80% from a peak of €545 in March 2022, as a result of increased wind power generation and reduced demand. In addition, the Spanish government is seeking EU approval to extend the Iberian gas price cap, currently due to expire on 31 May, until at least the end of 2024. Spain and Portugal have had an agreement since spring 2022 to separate the price paid for natural gas used in the energy mix from that paid for cheaper sources such as solar, nuclear or hydroelectric power ( <a href="#">Trading Economics</a> ).
Measures adopted by public services	<b>September 2022</b> To combat the negative impacts of the war in Ukraine, the Spanish government has implemented a supportive fiscal policy, among others, through : <ul style="list-style-type: none"> <li>• A subsidy for the sale and purchase of fuel;</li> <li>• Extension of energy tax rebates ;</li> <li>• Direct support to energy-intensive sectors, including transport;</li> <li>• New credit offers for companies in difficulty ('10 billion) ;</li> <li>• Measures to reduce the impact of rising energy costs (<a href="#">OECD, June 2022</a>).</li> </ul> <p>The current legal framework in Spain is very restrictive with regard to the introduction of price revision clauses. According to the current law on public sector contracts, price revision in public works contracts is only possible if strict conditions are met. Price revision almost never exists in public works contracts. However, due to the exorbitant increase in the price of construction materials and the negative impact of the lack of an adequate price revision system for companies, the government approved on 1 March 2022 an exceptional price revision mechanism in public works contracts; it was amended accordingly by Royal Decree-Law 6/2022, Royal Decree-Law 14/2022 and Order HFP/1070/2022. However, the mechanism is complex, applies only to works that meet a series of restrictive criteria and is temporary in nature; in the opinion of the CNC, it is clearly insufficient to provide an adequate solution (CNC, February 2023).</p>	
	<b>October 2022</b>	

On 13 October, Prime Minister Pedro Sánchez detailed a new package of measures worth €3 billion for vulnerable consumers, around 1.7 million households. Sánchez said that the social energy premium would be strengthened by increasing the amount of energy eligible for a discount by 15%. The social energy premium will also be increased by 65% or 80% depending on the income level of households. In addition to these exceptional measures, the Prime Minister announced the creation of a new 'temporary' category of electricity consumers (1.5 million households) entitled to a 40% reduction on their bill. The so-called thermal bonus will be reinforced in 2022 and 2023 for vulnerable households, raising the minimum subsidy to €40 and doubling the average subsidy to €375 per household ([Bruegel](#)).

#### **November 2022**

Spain's left-wing government approved on 11 October a comprehensive energy-saving plan to reduce the country's natural gas consumption by up to 13.5% by March, in line with EU directives to reduce the EU's dependence on Russia. The plan also includes an 18% increase in gas export capacity from Spain to France across the Pyrenees, thanks to work on one of the pipelines linking the two countries. It also provides for an increase in the loading capacity of LNG tankers transporting gas to other EU countries, mainly Italy. The plan, which includes 73 measures, also includes new tax breaks on renewable energy and financial incentives to encourage more households to use solar panels and install smart meters ([Euractiv](#)).

Namely: In August 2022, the government submitted for public consultation a draft Royal Decree regulating the programme of support for energy rehabilitation actions in existing buildings in the tertiary sector that would be financed by the National Energy Efficiency Fund (€100 million) until December 2024. The fund will grant direct concessions to autonomous communities and cities to subsidise actions that reduce final energy consumption by 10% and improve efficiency (thermal envelope, use of renewable energy in thermal installations for heating, cooling, ventilation and hot water production, lighting installations, replacement of refrigeration appliances with high efficiency appliances with energy labelling, improvement of air conditioning in data processing centres). In addition, the government will increase the Energy Efficiency in Industry programme, which was launched in 2019 and will run until June 2023, by €100 million. It subsidises technological improvements in industrial equipment and processes, as well as the implementation of energy management systems, in order to reduce companies' consumption and costs, increase their competitiveness, economic activity and job creation ([Bruegel](#)).

#### **December 2022**

The Minister of Transport, Mobility and Urban Agenda, Raquel Sánchez, has announced the energy efficiency strategy for the state road network (RCE), which aims to reduce energy consumption by 50% between 2022 and 2028. 510 million in the modernisation of the lighting system, to generate savings in energy demand and to be less dependent on fossil fuels. The strategy includes action on lighting in tunnels and open sections, where intelligent lighting management systems will be implemented and the switch from high-pressure sodium luminaires to LED technology will be promoted. The replacement of



	<p>luminaires will generate savings of 30-40%, and up to 70% when combined with the deployment of intelligent lighting management systems, which allow lighting to be regulated according to the presence or absence of vehicles and users (<a href="#">Spain Today News</a>).</p> <p><b>February 2023</b></p> <p>The Spanish government is going to ask the European Commission for authorisation to extend until the end of 2024 the so-called "Iberian mechanism", an exceptional measure limiting the price of gas for electricity generation in Spain and Portugal. On 9 January, in an <a href="#">interview</a> with the private television channel Antena3, the minister explained that Madrid wanted the 'gas ceiling' to be 'as low as possible', around 45 or 50 euros, and added that this measure 'could be extended, at least, until the end of 2024'.</p> <p>On 10 January, it announced that Spain's progressive executive had submitted to the European Commission a proposal for a "fundamental regulation" <a href="#">to reorganise the European electricity market</a> in preparation for the EU-level debate scheduled for the spring (<a href="#">Euractiv</a>, 2023).</p>
<b>Positioning of the Federation</b>	

	<b>Estonia</b>	
<b>Economic conditions</b>	<b>General</b>	<b>Construction</b>
	<p><b>February 2023</b></p> <p>Annual inflation in December 2023 slowed to 17.6%. On average, annual inflation compared to the previous year will have been 19.4%.</p> <p>The biggest impact on the consumer price index in 2022 came from housing-related price increases, which accounted for two-fifths of the total increase. "Compared to 2021, electricity reaching households was 94.4% more expensive, gas 123.8%, solid fuels 73.5% and thermal energy 49.1%. Food and non-alcoholic beverages contributed to almost a quarter of the total increase. Among food products, the largest</p>	<p><b>December 2022</b></p> <p>The construction price index increased by 8.3% between the third quarter of 2021 and the third quarter of 2022 (<a href="#">Statistics Estonia</a>).</p> <p><b>March 2023</b></p> <p>According to Statistics Estonia, in 2022 the construction price index increased by 17.8% compared to the average of 2021. In the fourth quarter of 2022, the construction price index increased by 1.9% compared to the third quarter of 2022 (<a href="#">Statistics Estonia</a>).</p>

	<p>increase was recorded in the prices of flour and cereals (53.6%), sugar (50.9%), other oils (49.5%) and eggs (45%). Petrol was 30% more expensive and diesel 45.9%" (<a href="#">Statistics Estonia</a>).</p> <p><b>March 2023</b> According to Statistics Estonia, in 2022 the total output of industrial enterprises decreased by 1.9% at constant prices compared to the previous year. Among the three main industrial sectors, production increased by 7.3% in the mining industry and by 5.4% in energy production, but decreased by 2.7% in the manufacturing industry (<a href="#">Statistics Estonia</a>).</p>	
<b>Raw materials</b>	<p><b>Procurement</b></p> <p><b>October 2022</b> Estonia is one of the most energy-independent countries in the EU, thanks to the oil shale exploited in the country, which accounted for <b>56%</b> of Estonia's energy in 2020. Biofuels - mainly wood chips - account for <b>26%</b> of energy, gas <b>7%</b>, other renewables <b>6%</b> and other fossil fuels <b>5%</b>. Following Russia's aggression in Ukraine, Estonians are taking steps to stop buying Russian oil and gas. The private companies Alexela and Infortar are building an LNG terminal in Paldiski, which is expected to receive an FSRU in late autumn 2022. LNG is expected to be mainly of US origin (<a href="#">International Trade Administration</a>).</p>	<p><b>Price / Cost</b></p> <p><b>November 2022</b> The construction price index expresses the change in the cost of construction by taking into account changes in the prices of basic inputs. These are divided into three main groups: labour, construction materials and construction machinery. Data from Statistics Estonia show that the construction price index increased by 3.8% in the third quarter of this year compared to the second quarter of 2022 and by 17.4% compared to the same period last year (<a href="#">Statistics Estonia</a>)(EEEL).</p>
<b>Cost of energy</b>	<p><b>December 2022</b> Statistics Estonia reported that, compared to October 2021, the consumer price index was most affected by housing-related price changes, which accounted for one third of the total increase. Partial energy price compensation measures for electricity, gas and district heating came into effect in October. In addition, from October, households were able to buy electricity as a universal service, the price of which is formed on the basis of the producer price confirmed by the Competition Authority. <b>"Solid fuels were 111.4% more expensive, gas 88.8%, electricity which reached households 83.7%, and thermal energy</b></p>	

	<p><b>49.1%. Price changes for food and non-alcoholic beverages accounted for almost 30% of the total index increase. Petrol was 21.9% more expensive and diesel 42.6%"</b> (<a href="#">Statistics Estonia</a>).</p>
<p><b>Measures adopted by public services</b></p>	<p><b>September 2022</b></p> <p>257 million to combat inflation and the repercussions of the war in Ukraine:</p> <ul style="list-style-type: none"> <li>• Strengthen energy security (investments in liquefied gas and gas reserves);</li> <li>• Tax assistance for households in difficulty, especially for energy bills;</li> <li>• Increase the subsistence level from EUR 150 to EUR 200 per month (<a href="#">OECD, June 2022</a>).</li> </ul> <p><b>October 2022</b></p> <ul style="list-style-type: none"> <li>• <b>On 25 January 2022</b>, the Estonian government approved a price cap for electricity (€0.12/KWh) and gas (€65/MWh) for households and the abolition of electricity distribution charges for businesses (previously reduced by only half), in order to mitigate the negative effects of rising energy prices. These benefits were valid from January to March.</li> <li>• <b>On 14 September 2022</b>, a statement by Prime Minister Kaja Kallas indicated that in order to bring down energy prices, many large energy companies could be allowed to close for a short period of time. This statement was not official policy and was contested by many members of his government and coalition.</li> <li>• <b>On 25 August 2022</b>, the government supported the draft proposal to accelerate the transition to renewable electricity by setting a renewable electricity target for 2030 equal to 100% of total electricity consumption (previously 40%). The aim is to secure a renewable energy supply of 650 GW in January 2023, and at least 500 GW in 2024 and 2025 through wind and solar capacity.</li> <li>• <b>On 22 September 2022</b>, the government announced that the draft state budget for 2023 included an <b>energy subsidy equal to €50/MWh of electricity for domestic consumers</b>, and that it would cover 80% of price increases above €80/MWh. Similarly, for gas and central heating, it would offset 80% of price increases. Households will see their bills automatically reduced by this subsidy from October 2022. <b>He also announced investment subsidies for energy security for large industries</b> (<a href="#">Bruegel</a>).</li> </ul>
<p><b>Positioning of the Federation</b></p>	<p><b>September 2022</b></p> <p>In June 2022, the Estonian Construction Federation (EEEL) conducted a survey among its members to assess the impact of rising raw material prices. Most of the respondents were engaged in public contracts, the majority of which received no support due to the exceptional situation (rising prices and shortage of materials). EEEL surveys showed that price increases averaged between 15% and 20% of the original contract value. Taking into account the total financial volume of state construction works in 2022 (around '1 billion), it therefore estimates the total amount of increases in the cost of state construction works to be around '150-200 million (in 2022). In response, the EEEL has opened a discussion with the</p>

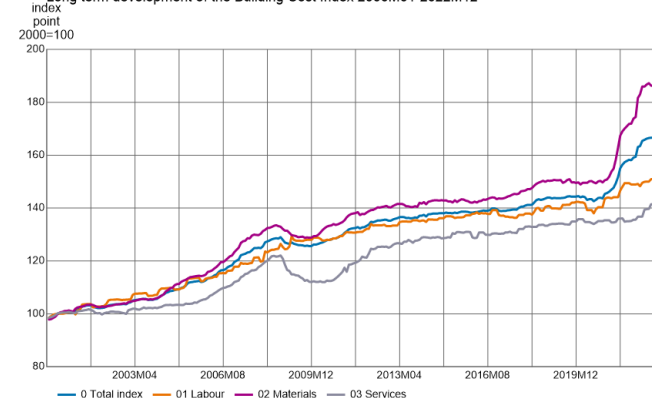
	<p>government on the introduction of exceptional measures in response to major forces (including the planning of additional investments to cover an unforeseen extra budget)(<a href="#">EEEL, July 2022</a>).</p> <p><b>October 2022</b></p> <p>The Estonian Construction Association issued a public appeal to the Government of the Republic of Estonia on 12 October 2022, alerting it to the worrying situation of the construction sector and the need to support it in the long term: "We ask you to maintain the construction sector by significantly increasing public investment in the construction sector and the necessary support measures to preserve the sector, so that we can continue to provide additional tax revenues to the state budget while continuing to work.</p> <p>Given the current situation of the Estonian economy (the highest inflation in the Eurozone, a sharp rise in energy prices and the resulting high construction prices, leading to a significant cooling of the construction market), it is clear that if the public sector does not significantly increase the planned investments in RES for 2023 and 2024, tens of thousands of employees will lose their jobs in the construction sector in the coming year, which will also be preceded by the closure or bankruptcy of many companies" (<a href="#">EEL</a>).</p>
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	Finland	
Economic conditions	General	Construction
	<p><b>February 2023</b></p> <p>The annual change in inflation calculated by Statistics Finland was 9.1% in December (it remained stable compared to November 2022). In 2022, the average inflation rate was 7.1% (<a href="#">Statistics Finland</a>).</p> <p><b>March 2023</b></p> <p>According to IMF forecasts, Finnish GDP will be 0.5% in 2023 while annual inflation will be 3.5%. A slowdown compared to 2022 (<a href="#">IMF</a>).</p>	<p><b>February 2023</b></p> <p>According to Statistics Finland, the turnover of construction companies increased by 4.3% in November 2022 compared to the previous year. While the volume of sales decreased by 1.0% (<a href="#">Statistics Finland</a>).</p> <p><b>March 2023</b></p> <p>According to Statistics Finland, the turnover of construction companies increased by 8.9% in December 2022 compared to the previous year. The volume of sales increased by 0.6% (<a href="#">Statistics Finland</a>).</p>

		<p>Annual change in working day adjusted turnover and volume of construction, %</p> <table border="1"> <caption>Annual change in working day adjusted turnover and volume of construction, %</caption> <thead> <tr> <th>Month</th> <th>Turnover (%)</th> <th>Sales volume (%)</th> </tr> </thead> <tbody> <tr><td>2021M12</td><td>12</td><td>8</td></tr> <tr><td>2022M01</td><td>13</td><td>8</td></tr> <tr><td>2022M02</td><td>15</td><td>10</td></tr> <tr><td>2022M03</td><td>14</td><td>7</td></tr> <tr><td>2022M04</td><td>12</td><td>5</td></tr> <tr><td>2022M05</td><td>10</td><td>2</td></tr> <tr><td>2022M06</td><td>11</td><td>2</td></tr> <tr><td>2022M07</td><td>11</td><td>2</td></tr> <tr><td>2022M08</td><td>10</td><td>2</td></tr> <tr><td>2022M09</td><td>9</td><td>1</td></tr> <tr><td>2022M10</td><td>5</td><td>-2</td></tr> <tr><td>2022M11</td><td>3</td><td>-4</td></tr> <tr><td>2022M12*</td><td>9</td><td>1</td></tr> </tbody> </table> <p>Source: Statistics Finland, index of turnover of construction</p>	Month	Turnover (%)	Sales volume (%)	2021M12	12	8	2022M01	13	8	2022M02	15	10	2022M03	14	7	2022M04	12	5	2022M05	10	2	2022M06	11	2	2022M07	11	2	2022M08	10	2	2022M09	9	1	2022M10	5	-2	2022M11	3	-4	2022M12*	9	1
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2022M11	3	-4																																										
2022M12*	9	1																																										
Raw materials	<p><b>Procurement</b></p> <p><b>December 2022</b> Pipelines of up to 5,000 kilometres in length are planned to connect the Baltic Sea region and Central Europe by 2030.</p> <p>A project called the Baltic Sea Hydrogen Collector (BHC), as well as other previously launched projects, should complement the EU's hydrogen strategy and the REPowerEU plan. They will also support the EU's climate objectives, such as the Green Deal for Europe and the Fit for 55 packages.</p> <p>The Baltic Sea Hydrogen Collector (BHC) project, launched on 16 December by the Finnish company Gasgrid, the Swedish gas transmission system operator Nordion Energi and two Danish companies OX2 and Copenhagen Infrastructure Partners, plans to connect mainland Finland, Sweden and the Åland Islands to Germany. Connections could also be built to</p>	<p><b>Price / Cost</b></p> <p><b>February 2023</b> According to Statistics Finland, construction costs increased by 5.3 per cent in December 2022 compared to the previous year. Among materials, the largest increases for the year were for thermal insulation (17.8%) and materials for heating, water and sewage (17.1%). The decrease in the costs of wooden structures continued and the change compared to the previous year was -7.6% (<a href="#">Statistics Finland</a>).</p> <p><b>March 2023</b> According to Statistics Finland, construction costs increased by 6.4 per cent in January 2023 compared to the previous year. Among materials, the largest increases for the year were for thermal insulation (20.2%) and materials for heating, water and sewage (17.1%). The costs of wooden structures decreased by 6.9% compared to the previous year (<a href="#">Statistics Finland</a>).</p>																																										

the islands of Gotland in Sweden and Bornholm in Denmark ([Euractiv](#)).

Long term development of the Building Cost Index 2000M01-2022M12



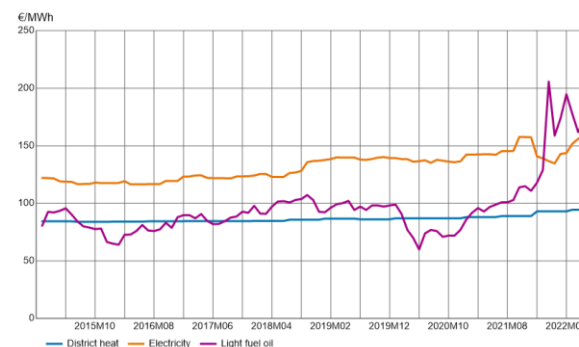
Source: Statistics Finland, building cost index

## Cost of energy

### February 2023

In the third quarter of 2022, the price of electricity was on average 40-60% higher than a year ago. The operating costs of oil-heated houses have also risen sharply, with heating oil costing 68% more than a year earlier ([Statistics Finland](#)).

Purchase price, detached house 2015M01-2022M10









Source: Statistics Finland, energy prices

<b>Measures adopted by public services</b>	<p><b>September 2022</b></p> <p>The government has decided on temporary targeted measures in response to rising energy prices. These measures are particularly focused on transport and are aimed at households, professional transport service providers and agricultural contractors:</p> <ul style="list-style-type: none"> <li>• Since the beginning of 2021, the electricity tax for industrial users, data centres and agriculture has been reduced to the minimum rate allowed by the EU. This year, a reduced electricity tax rate will be extended to certain heat pumps, electric boilers and more data centres. The position of consumers in the electricity market has been improved by intervening in energy transport prices. The amount of transmission charges that can be charged to customers in 2022 is about EUR 370 million lower than in 2020.</li> <li>• The maximum deduction for travel expenses between home and work will be temporarily increased from 7,000 to 8,400 euros in the 2022 taxes. In addition, the mileage allowance for commuting expenses when using one's own car will be temporarily increased to 0.30 euro/km (previously 0.25 euro/km).</li> <li>• The government is preparing amendments to the Electricity Market Act that will improve the position of consumers in the event of an energy price crisis. The aim is to increase awareness of electricity supply contracts that use dynamic pricing, also known as spot contracts (<a href="#">Finnish government, February 2022</a>).</li> </ul> <p><b>October 2022</b></p> <ul style="list-style-type: none"> <li>• On 1 September 2022, the government presented the draft state budget for 2023, in which it proposes to <b>reduce VAT on the sale of electricity from 24% to 10% between 1 January 2023 and 30 April 2023</b>. The reduction in VAT on electricity would only affect the sale of electricity, not the transport of electricity or access to the electricity grid, which would remain subject to the standard VAT rate of 24%. Households' purchasing power would also be improved by a temporary reduction of VAT on passenger transport to 0%, which would apply to all passenger transport services currently subject to taxation, such as trains, buses, taxis, air and sea transport. Low-income households whose monthly electricity bill exceeds the €400 deductible (up to a maximum of €1,500) will be entitled to a <b>subsidy covering 60% of the bill for four months between 1.1.2023 and 30.4.2023</b>. It is estimated that these measures will affect around 252 000 households.</li> <li>• On 4 September 2022, the government agreed to set up a €10 billion emergency facility of loans and credit guarantees to help utilities weighed down by soaring collateral demands as they trade in volatile electricity markets to meet short-term liquidity needs (<a href="#">Bruegel</a>).</li> </ul> <p><b>November 2022</b></p> <ul style="list-style-type: none"> <li>• On 5 October 2022, the government implemented an energy saving programme in state-owned properties that aims to save 50-75 GWh and up to €10 million in energy costs. The "One Step Lower" campaign, which kicked off during</li> </ul>
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	<p>the energy saving week on 10 October 2022, encourages all companies, organisations and individuals to save energy (cooler showers, lower heating temperatures, energy saving cycles for dishwashers etc.)(<a href="#">Bruegel</a>).</p> <p><b>December 2022</b>  Finnish Prime Minister Sanna Marin of the Social Democratic Party (SPD)'s proposal to set a possible cap on electricity prices caught the opposition and her government colleagues by surprise.  Finnish electricity production has suffered a triple blow: low temperatures, difficulties at the Olkiluoto 3 nuclear reactor and the lack of wind affecting wind power production have led to a surge in electricity prices. On 14 December, the price per kilowatt hour on the electricity exchanges was over 60 cents.  Ms Marin then announced that she would organise an all-party meeting on 19 December to discuss the energy issue in Finland. Her social democratic parliamentary group presented concrete figures, suggesting that the price of electricity for households should not exceed 20 cents per kilowatt hour. In addition to the speed of the proposal, its price was also criticised. Finance Minister Annika Saarikko (Centre Party) called the suggestion "understandable", but said it would cost "billions" and have a negative impact on public finances. The government has previously cut VAT on electricity (<a href="#">Euractiv</a>).</p>
<p><b>Positioning of the Federation</b></p>	<p><b>December 2022</b>  The crisis in Ukraine is making it difficult for the member companies of the Finnish Construction Association (RT) to operate. In order to alleviate the situation of the companies, RT has, among other things, proposed to the state a time-limited reduction of the tax on light fuel oil and that, for commercial activities, the tax be reduced to the European minimum (<a href="#">RT, 2022</a>).</p> <p>RT has published a report on the impact of the crisis in Ukraine on the construction sector (report available <a href="#">here</a>, in Finnish).</p> <p><b>March 2023</b>  Recent surveys conducted by the Finnish Confederation of Construction Industries (RT) among its members update the outlook for the construction sector:</p> <ul style="list-style-type: none"> <li>- Housing production is still at a good level and the number of unsold completed flats is low. However, outside the growth centres of Helsinki, Tampere and Turku, the number of housing starts is falling sharply.</li> <li>- RT also asked its members about the impact of the war in Ukraine on the sector: The war is still hampering a growing number of construction companies. The shortage of materials and equipment has eased, but rising costs are still holding back production. However, bankruptcies or redundancies remain unlikely.</li> </ul> <p>344 companies from all sectors represented at RT responded (<a href="#">RT</a>).</p>



	France	
Economic conditions	General	Construction
	<p><b>February 2023</b></p> <p>In December 2022, inflation fell by 0.1% over one month, after +0.3% in November. Energy prices fell (-3.6% after +0.9%) due to the drop in petroleum product prices (-5.2% after +0.3%). The prices of manufactured goods slowed down (+0.2% after +0.4%) and those of food increased at the same rate as the previous month (+0.5%). Services prices accelerated (+0.3% after +0.1%), especially those of transport services (+2.3% after +0.6%).</p> <p>Over one year, consumer prices increased by 5.9% in December 2022, after +6.2% in November. This drop in inflation is due to the slowdown in energy prices (+15.1% after +18.4%) and, to a lesser extent, in services (+2.9% after +3.0%). Food prices increased over one year at the same pace as in November (+12.1%) and those of manufactured goods accelerated (+4.6% after +4.4%)(<a href="#">INSEE</a>).</p> <p><b>March 2023</b></p> <p>On 31 January 2023, INSEE unveiled its first estimate of French economic activity growth in 2022, which has held up despite the energy crisis and soaring inflation, before a year 2023 that is certainly more difficult. After the euphoric post-Covid recovery in 2021 (+6.8%), activity has stalled in France, shaken by the war in Ukraine, which has caused energy prices to</p>	<p><b>February 2023 - Public Works</b></p> <p>Public works are heading for a slightly better end to 2022 than in the previous quarter, while inflationary pressures on production costs have eased in recent months and business sentiment has warmed slightly. While these signals are encouraging, this recovery is far too timid and delayed to avoid a contraction in TP output in 2022. Moreover, the current uncertainties concerning the evolution of new orders and the level of inflation in the coming months call for caution for the beginning of 2023. The improvement in activity, which began in September, continues in November with an increase in production volumes of <b>+1.9%</b> in October 2022 and <b>+1.8%</b> in November 2021. It goes hand in hand with a lull in the rise in production costs, reflected by the slight decline in the TP01 index since the summer. However, over the last three months, work carried out remains down by <b>3.3%</b> compared to September-November 2021. In fact, the current growth is still too tenuous to mark an inflection in the downward movement of 2022 (<a href="#">FNTP</a>).</p> <div data-bbox="1308 1000 1868 1302"> <p>TRAVAUX RÉALISÉS</p> <p>Indice base 100 au 01/2016</p> </div> <p><b>March 2023 - Building</b></p>

	<p>soar, and inflation, which has reached levels not seen in nearly 40 years.</p> <p>Insee expects GDP to rise by 2.5% in 2022 - with a negative fourth quarter of -0.2%. This is slightly below the forecasts of the Banque de France (+2.6%) and the government (+2.7%)(<a href="#">Euractiv</a>).</p> <p>According to the IMF, French growth in 2023 should be 0.7% (<a href="#">IMF</a>).</p>	<p>Construction activity slows sharply to +1.6% in the fourth quarter of 2022 over the year. However, it remains well oriented for the near future, with an average order book of 7.3 months at the end of January 2023. However, the future crisis in new housing is confirmed and the financial situation of companies remains fragile (<a href="#">FFB</a>).</p> <p>March 2023 - Public Works</p> <p>Constrained by the surge in costs (materials, energy) which has cut into its volume of activity, the production of Public Works will contract by -6.4% in 2022 compared to 2021 despite the recovery at the end of the year. The horizon remains grey because the investment efforts hoped for in this mid-term period are still awaited. In this context, a further erosion of public works activity is anticipated for 2023, even if the recent easing of inflationary pressures and the resilience of the financial situation of local authorities are encouraging signals. A real acceleration of the public authorities' investment cycle remains, however, a determining factor in reversing the trend and brightening the sector's prospects.</p> <p>Finally, even if the sector's turnover increases in current euros by +2.7% this year 2022, the historic rise in production costs (+9.8% over 12 months to the end of November according to the TP01 index) is holding back the growth of its real production (<a href="#">FNTP</a>).</p> <div>  MARCHÉS CONCLUS  -3,1 %         <hr/>  HEURES TRAVAILLÉES  -1,3 %         <hr/>  HEURES INTÉRIMAIRES = -0,1 %         <hr/>  EFFECTIFS OUVRIERS = -0,7 %       </div>
Raw materials	Procurement	Price / Cost
	For several months, France has been facing a shortage of raw materials in several sectors. The sectors	February 2023

affected by the shortage are the food industry (82%), and almost as much the automotive industry (78%) - notably due to the semi-conductor crisis, metallurgy (75%) and fashion and luxury goods (74%). But all sectors are concerned and only two of them have a minority of companies reporting these difficulties, finance at 42% and IT/telecom at 38% ([La Tribune, 2022](#)).

Despite nuclear power, despite renewable energies, despite more controlled consumption, France remains highly dependent on oil and gas imports. The country's energy independence rate is 53.1%, according to the figures of the General Commission for Sustainable Development. 17% of French gas comes from Russia, with Norway remaining the main source of gas for France (36%)([Les Echos, 2019](#)).

### November 2022

Gas infrastructure development: Le Havre FSRU is a floating regasification and storage unit announced by the French government. The terminal is expected to be installed in the port of Le Havre, Normandy, by TotalEnergies as early as January 2023 ([Bruegel](#)).

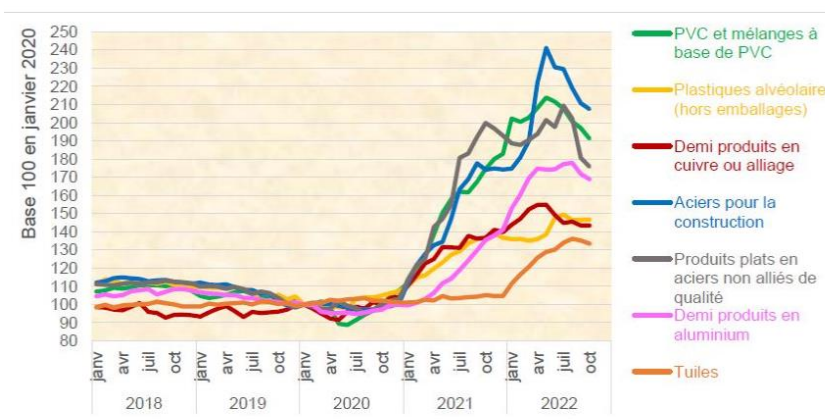
In September 2022, at the request of the State, GazelEnergie re-commissioned the coal-fired power plant in Moselle. Unit 6 of the Emile-Huchet power plant (Saint Avold), with a capacity of 600 megawatts (MW), will operate for 2,500 hours this winter - from 1 October 2022 until the end of March 2023 ([Bruegel](#)).

### March 2023

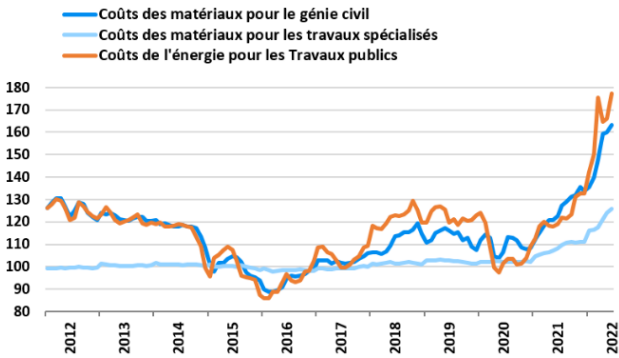
While average costs in the building sector (BT01 of INSEE) rose by 5.4% from the end of 2020 to the end of 2021 (twice as much as general inflation), and then by a further 6.3% over the first ten months of 2022, the relative lull in material prices observed in the last quarter of 2022 has been hit by the new surge in energy prices since the end of August, while general inflation is beginning to translate into higher wages in the building sector.

The BT indexes are used to update and/or revise the prices of building contracts. The most generalist of them, the BT01 (all building trades) and BT50 (renovation-maintenance all trades) show strong increases, + 6.8% and + 5.7% between October 2021 and October 2022 (last month available), after 5.4% and 3.9% over the whole of 2021 ([FFB](#)).

Industrial production price indices of some materials for the French market:



Source : calculs FFB d'après Insee.

	<p>In 2022, the total production of French electricity was established at 445.2 terawatt-hours (TWh), down by 15% compared to the average between 2014 and 2021, that is to say a lowest level since 1992, announces RTE. France has indeed experienced numerous problems that have put a strain on its electricity fleet. As a result, France has had to import massively from its European neighbours to make up for the drop in its production. This situation is almost unprecedented, since it is the first time since 1980 (<a href="#">Euractiv</a>). In particular, Belgium has become the leading exporter of electricity to France, with nearly 10 TWh of net exports, equivalent to the annual electricity consumption of 2.8 million households. This represents a reversal of the situation compared to previous years, when Belgium had to rely on massive imports from France (<a href="#">Euractiv</a>).</p>	<p>All the construction indexes (building and public works) can be consulted on the INSEE website: <a href="#">Building, public works and miscellaneous construction indexes in November 2022 - Informations rapides - 11   INSEE</a>.</p>
<p><b>Cost of energy</b></p>	<p style="text-align: center;"><b>Evolution de l'indice des coûts des matériaux et de l'énergie dans les travaux publics</b></p>  <p style="text-align: center;">Source : Insee, base 100 en 2015</p>	

<b>Measures adopted by public services</b>	<p><b>September 2022</b></p> <ul style="list-style-type: none"> <li>• Regulated gas and electricity tariffs are capped;</li> <li>• The energy voucher for the lowest income households has been increased;</li> <li>• Reduction of taxes on road fuels ;</li> <li>• Increase in targeted subsidies to businesses (with conditions) ;</li> <li>• Housing tax relief ;</li> <li>• Corporate Tax Relief (<a href="#">OECD, June 2022</a>) ;</li> <li>• Aid granted to companies of all sizes and sectors whose gas and electricity costs represent at least 3% of turnover;</li> <li>• For companies in the construction sector, the government will ask public actors to apply, where possible, the doctrine of unpredictability for contracts that do not contain a price revision clause and not to apply delay penalties when the contract is being performed.</li> <li>• Bankruptcy protection measures (state-guaranteed loan, industrial growth loan, state-guaranteed liquidity facility...)(FIEC, 2022).</li> </ul> <p><b>October 2022</b></p> <ul style="list-style-type: none"> <li>• On 14 September 2022, the government announced that the tariff shield, already extended until December 2022 for gas and until 1 February 2023 for electricity, will be renewed in 2023. <u>The scheme includes:</u> a 15% cap on the increase in gas and electricity prices; a limit on the average increase in bills to around €25 per month for households heating with gas; a limit on the average increase to around €20 per month for households heating with electricity; and assistance of up to €200 for French people heating with oil or wood. According to government estimates, these measures should benefit 12 million households.</li> <li>• On 6 October 2022, the government officially presented the <b>"Energy Sobriety"</b> plan, which aims to reduce energy consumption by 10% over the next two years compared to 2019. The plan aims to <b>consume less energy and improve the energy efficiency of households, businesses, public buildings and transport</b>. The scheme includes financial support for households to change heating systems through the MaPrimeRenov programme; the sustainable mobility package for employees is exempt from social security contributions up to €700 per year and can be combined with public transport reimbursement up to €800. In addition, energy utilities will offer incentives to reduce consumption. For example, TotalEnergies offers a bonus ranging from €30 to €120, depending on the energy savings achieved by households heating with electricity who reduce their electricity consumption by at least 5% between 31 November 2022 and 1 March 2023 (<a href="#">Bruegel</a>).</li> <li>• In a context where rising prices and supply difficulties are causing tensions in the execution of public contracts, the government asked the Council of State about <b>possible price changes and the application of the theory of unforeseeability in current contracts</b>. On 15 September, the Council issued a favourable, but restricted, opinion (<a href="#">FFB</a>).</li> </ul>
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### November 2022

- On the occasion of the "24 hours of the building industry", the Minister of the Economy, Bruno Le Maire, announced the effective opening of the **"simplified one-stop shop"**, a project unveiled a month ago to support companies in the face of the energy crisis. However, access to this one-stop shop still requires an energy consumption of more than 3% of the turnover. Building companies will therefore only very rarely be concerned ([FFB](#), Aides aux entreprises).
- **Energy crisis, the new window of opportunity for businesses : Ten billion euros to help businesses cope with the explosion in energy prices and thus prevent a wave of bankruptcies.** This is the envelope promised by the government, which has revised the operation of its first support mechanism. The aim is to reach "more companies with a higher intensity of aid proportional to the increase in the bill" for electricity and gas. To achieve this, the criteria have been reduced, the administrative procedures simplified and the payment deadlines compressed. Among the elements reviewed to benefit from the bill payment aid, the price of energy during the application period (September and/or October 2022) must have increased by 50% compared to the average price paid in 2021. In addition, energy expenditure during the application period must represent more than 3% of last year's turnover ([Les Echos](#)).
- **In a joint statement issued on Tuesday (22 November), the German and French economy ministers called for a revival of European industrial policy to counter rising energy prices and the consequences of the war in Ukraine.** Robert Habeck and Bruno Le Maire said they were *"firmly resolved to work together to provide an adequate response to the most vulnerable economic sectors"*. According to the text, France and Germany will make *"joint purchases of gas [...] in order to bring down prices for consumers and industry"* and say they are in favour of a *"structural reform of the electricity market"* to achieve sustainable control of energy prices. They also announced the launch of Franco-German cooperation or working groups in strategic sectors such as hydrogen, artificial intelligence, cybersecurity, space policy, quantum computing and raw material supply ([Euractiv](#)).

### December 2022

The President of the Republic, Emmanuel Macron, opened the "Bilateral Conference for the Resilience and Reconstruction of Ukraine" on Tuesday 13 December, in the presence of Bruno Le Maire, Minister for the Economy, Finance and Industrial and Digital Sovereignty, Denys Chmyhal, Prime Minister of Ukraine and members of his government.

The Conference enabled the signing of important agreements directly responding to Ukraine's needs for its vital infrastructure. Their rehabilitation, following their destruction, is a crucial issue to ensure the continuity of essential services to the population but also to the functioning of the economy:

- Bruno Le Maire, French Minister of Economy, Finance, Industrial and Digital Sovereignty, and Odile Renaud-Basso, President of the European Bank for Reconstruction and Development (EBRD), have signed two agreements to provide €100

	<p>million in guarantees to support critical infrastructure in Ukraine. Through a risk-sharing mechanism between the French government and the EBRD, the guarantees will provide €200 million in emergency liquidity to two Ukrainian state-owned companies: the national energy operator Naftogaz, for the purchase of gas needed for the winter period, and the Ukrainian State Railways (UZ), for priority spending.</p> <ul style="list-style-type: none"> <li>• France has signed three agreements addressing the needs of key sectors of the Ukrainian real economy: <ul style="list-style-type: none"> <li>- 37.6 million from a concessionary loan from the Treasury for the supply of 20,000 tonnes of rail produced in France by the Saarstahl company should initially enable the repair of more than 150 km of Ukrainian railways.</li> <li>- A second agreement signed between Matière and the Ukrainian governmental road agency UkrAvtodor, aims to launch the project to supply around 25 bridge kits, for which France will provide funding.</li> <li>- Finally, a third project aims to ensure the delivery of more than 20 million euros of seeds by three French exporting companies (MAS Seeds, Lideas Seeds, RAGT) to support the Ukrainian agricultural sector (<a href="http://economie.gouv.fr">economie.gouv</a>).</li> </ul> </li> </ul> <p><b>February 2023</b></p> <p>On 6 January 2023, Bruno Le Maire announced that electricity suppliers had agreed to systematically open renegotiations for VSEs that, having renewed their contract in the second half of 2022, pay more than €280/MWh on average for electricity over 2023. This figure will constitute a ceiling.</p> <p>The situation can be summarised as follows:</p> <ul style="list-style-type: none"> <li>- VSEs connected with a power of less than 36 kVA benefit from the energy shield;</li> <li>- The remaining MSEs now have their contracts capped at €280/MWh in 2023;</li> <li>- SMEs can use the "electricity buffer";</li> <li>- SMIs and large companies must fall back on the one-stop shop, provided that energy costs exceed 3% of their turnover (<a href="http://FFB.fr">FFB</a>).</li> </ul> <p>In addition to the energy shield (for all VSEs in the case of gas, only if they have signed a contract for a power of less than 36 kVA for electricity) and the electricity buffer (for other VSEs and SMEs), the Prime Minister announced, at the beginning of January, the possibility for VSEs and SMEs to ask for deferment of payment of their taxes (excluding VAT, ancillary taxes and repayment of levies at source) and social security contributions (current contributions as well as the Covid payment plan in progress).</p> <p>In addition, the Minister of the Economy indicated that the energy companies had agreed to offer payment facilities, in the form of staggered invoices for the first few months of the year over several months, to VSEs and SMEs experiencing cash flow difficulties (<a href="http://FFB.fr">FFB</a>).</p>
<p><b>Positioning of the Federation</b></p>	<p><b>September 2022</b></p> <p>Faced with rising prices and shortages of raw materials, the FFB has sent an urgent request to the public authorities to obtain a transitional measure to lower the VAT rate on fuels, as well as a freeze on energy and fuel prices. It would also like to see the full</p>

cost of partial activity resulting from the shortages covered. With regard to public contracts, the FFB is asking that the State systematically take into account claims for compensation, contract amendments and the non-application of penalties for delay, as well as the implementation of the theory of unforeseeability, both in public and private contracts, in order to impose a renegotiation of prices as long as the conflict lasts (BatiActu, March 2022).

#### October 2022

The action of the FFB has borne fruit (accompanied by the MEDEF and the CPME): Faced with soaring electricity tariffs, Bruno LE MAIRE, Minister of the Economy, proposed to the professional organisations meeting on 21 October the implementation of a simple and general support system (all sectors, open to VSEs - including contracts of less than 37 kVA, SMEs and ETIs - subject to confirmation by the European Commission), intended for businesses that do not benefit from the energy shield. With a maximum of 10 billion euros, it will replace the aid to large energy consumers, which does not work well.

In detail, with regard to the supply of electricity :

- On average, companies already benefit from the fixed and regulated Arenh tariff (nuclear and hydro electricity shared between energy suppliers), which will probably amount to €49.5/MWh from 1/01/2023, on 50% of their bill;
- In addition, there would be a fixed and regulated tariff, guaranteed by the State, for 25% of the bill, as soon as the contract provides for a price per megawatt-hour of more than €325 and up to a ceiling which remains to be defined;
- The remainder would be sold at the market price, currently around €500/MWh.

The new aid would be charged directly on the invoice (no forms to fill in, no documents to provide)([FFB](#)).

#### March 2023 - [FFB](#), "Energy crisis" information meeting, 09 March 2023

##### Contents :

- Deciphering the energy market.
- How to react in your energy purchasing procedures, how to anticipate?
- Financial aid for energy, CEE, tax credit, Climaxion.
- BPI and your banking networks' offers in relation to the energy crisis.

	Greece	
Economic conditions	General	Construction
	February 2023	March 2023

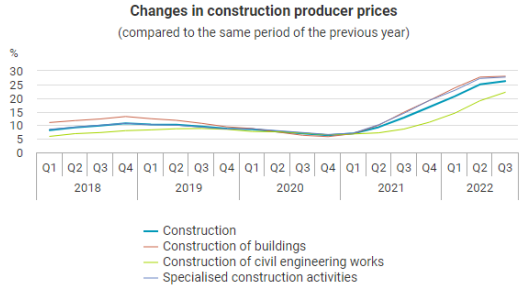


	<p>Inflation in Greece slowed down at the end of 2022, to 7.2% (<a href="#">Statistics Greece</a>).</p> <p><b>March 2023</b> Annual inflation between January 2023 and January 2022 was 7% (<a href="#">Statistics Greece</a>).</p>	<p>Total construction activity (private-public) in Greece, as of October 2022, which is calculated on the basis of the number of building permits issued, amounted to 2,295. This figure corresponds to 431,737 m2 of surface area and 1,797,388 m3 of volume, reflecting, respectively, an 8.2% increase in the number of building permits, a 15.9% decrease in surface area and a 23.6% decrease in volume, compared to the corresponding month in 2021 (<a href="#">Statistics Greece</a>).</p>
<b>Raw materials &amp; Energy</b>	<p><b>Procurement</b></p> <p><b>February 2023</b> The Bulgarian government on Tuesday (4 January) approved two documents on strengthening energy cooperation between Bulgaria and Greece, including an agreement on gas storage and a commitment to the rapid construction of an oil pipeline. This pipeline should supply crude oil to the Lukoil Neftochim refinery. The memorandum addresses the conclusion of an agreement that will allow Greek gas suppliers to reserve gas storage capacity in the Bulgarian Chiren facility. For their part, Bulgarian energy companies are to be given slots for unloading liquefied gas at Greek terminals. The Bulgarian government estimates that the new pipeline can be built by the end of 2024. The cooperation agreement between Bulgaria and Greece to ensure security of natural gas supply and storage is in line with the relevant EU regulation adopted in June 2022 (<a href="#">Euractiv</a>).</p> <p><b>March 2023</b> The pipeline project between Bourgas in Bulgaria and Alexandroupoli in Greece has been officially relaunched by Bulgarian Energy Minister Rosen Hristov and his Greek</p>	<p><b>Price / Cost</b></p> <p><b>February 2023</b> The index of the overall cost of materials in the construction of new residential buildings, with a base year of 2015=100, in November 2022 recorded an increase of 11.6% compared to November 2021. The corresponding index in November 2021 recorded an increase of 7.1% compared to November 2020. The overall index for November 2022, compared to the corresponding index for October 2022, recorded an increase of 0.7% (<a href="#">Statistics Greece</a>).</p> <p><b>March 2023</b> The index of the overall cost of materials in the construction of new residential buildings, with a base year of 2015=100.0, recorded an increase of 11.7% in December 2022 compared to December 2021. The corresponding index in December 2021 had recorded an increase of 7.1% compared to December 2020 (<a href="#">Statistics Greece</a>).</p> <p>The main changes in the individual cost indices of the material categories are as follows:</p>

	<p>counterpart, Kostas Skrekas, after several months of negotiations.</p> <p>On 16 February 2023, the two ministers signed an agreement to create a working group between the two countries to study the possibilities of implementing the pipeline project. Bulgarian President Rumen Radev, who met with his counterpart Katerina Sakellaropoulou and Prime Minister Kyriakos Mitsotakis, was also in Greece at the time of the signing of the agreement.</p> <p><i>"The Alexandroupolis-Bourgas pipeline is an important strategic element for Bulgaria as it allows for real diversification and alternative supply of non-Russian oil to the Bourgas refinery, the largest in the Balkans,"</i> said Mr Radev at the press conference with Mr Mitsotakis.</p> <p>The pipeline would increase <i>"the safety and efficiency of supplies, as it avoids the long waits and risks associated with the passage of oil tankers through the Black Sea straits,"</i> he added.</p> <p>The pipeline is to carry oil to the Russian refinery in Bourgas, which will then be delivered by tankers to the Aegean port. In the long term, it aims to completely replace Russian crude oil imports by sea, especially as Bulgaria has until 2024 before its current exemption from the EU's Russian oil embargo ends (<a href="#">Euractiv</a>).</p>	<table><tr><th>Material categories</th><th>Rates of change %</th></tr><tr><td>Bricks</td><td>28.2</td></tr><tr><td>Diesel fuel</td><td>19.8</td></tr><tr><td>Parquet flooring</td><td>17.1</td></tr><tr><td>Steel reinforcing rods</td><td>16.2</td></tr><tr><td>Garage doors</td><td>14.5</td></tr><tr><td>Builders' timber</td><td>13.6</td></tr><tr><td>Cupreous Pipes</td><td>13.0</td></tr><tr><td>Emulsion paints</td><td>12.0</td></tr><tr><td>Cupboards</td><td>11.5</td></tr><tr><td>Ready-mixed concrete</td><td>11.2</td></tr><tr><td>Central heating radiators</td><td>10.9</td></tr><tr><td>Floor and wall tiles generally</td><td>10.9</td></tr><tr><td>Marble slabs</td><td>10.3</td></tr><tr><td>Wall cupboards</td><td>9.9</td></tr><tr><td>Aluminium door and window frames</td><td>9.2</td></tr><tr><td>Windows</td><td>9.0</td></tr><tr><td>Internal doors</td><td>8.8</td></tr><tr><td>Cement</td><td>8.6</td></tr><tr><td>Copper pipes</td><td>6.0</td></tr><tr><td>Elevators</td><td>6.0</td></tr><tr><td>Electric energy</td><td>-8.9</td></tr></table>	Material categories	Rates of change %	Bricks	28.2	Diesel fuel	19.8	Parquet flooring	17.1	Steel reinforcing rods	16.2	Garage doors	14.5	Builders' timber	13.6	Cupreous Pipes	13.0	Emulsion paints	12.0	Cupboards	11.5	Ready-mixed concrete	11.2	Central heating radiators	10.9	Floor and wall tiles generally	10.9	Marble slabs	10.3	Wall cupboards	9.9	Aluminium door and window frames	9.2	Windows	9.0	Internal doors	8.8	Cement	8.6	Copper pipes	6.0	Elevators	6.0	Electric energy	-8.9
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Measures adopted by public services	<p><b>September 2022</b></p> <p>The government has decided to launch a €5.4 billion (2.7% of GDP) resilience plan to cope with rising prices and the impact of the war in Ukraine. Among the measures put in place:</p> <ul style="list-style-type: none"><li>• Property tax reduction ;</li><li>• Reduction of taxes and social security contributions;</li><li>• Electricity and gas subsidies for households and businesses;</li><li>• Support for the poorest households (<a href="#">OECD, June 2022</a>).</li></ul>																																													

	<p><b>October 2022</b></p> <p>On 21 September, Greek Energy Minister Kostas Skrekas said that the government would provide an additional €1.1 billion to households and businesses to protect them from rising energy prices ahead of winter. The subsidies have three components:</p> <ul style="list-style-type: none"> <li>• For households whose monthly consumption does not exceed 500 kilowatt hours, the value is 436 euros per megawatt hour. These households constitute the majority of Greek households.</li> <li>• For households consuming more than 501 kilowatt-hours per month, the subsidies will compensate for about 70-80% of the price increase.</li> <li>• For companies with a consumption of more than 2000 kilowatt hours, 398 euros per megawatt hour are promised.</li> </ul> <p>In addition to these benefits, a subsidy of 50 euros per megawatt is offered to consumers who reduce their average daily consumption by 15% year on year (<a href="#">Bruegel</a>).</p> <p><b>November 2022</b></p> <ul style="list-style-type: none"> <li>• The government has launched the 'Save at Home' programme to raise awareness of energy-saving behaviour changes at home. In public buildings, measures range from lowering temperature levels in offices to reducing night-time lighting in public buildings, setting up a digital platform for monitoring public sector energy consumption, and linking compliance with these measures to budget funding, with bonuses for the most efficient branches and cuts for those that do not meet their savings targets (<a href="#">Bruegel</a>).</li> <li>• The government has strengthened the "Recycle - Switch" programme to support the replacement of household appliances (e.g. air conditioners, refrigerators, freezers) with energy efficient versions by refunding part of the purchase price. It also intends to launch a programme (€640 million) for the energy improvement of 2.5 million square metres of buildings used by the public sector (<a href="#">Bruegel</a>).</li> <li>• The government wants to finance 250,000 small photovoltaic systems on the roofs of households and businesses, which will consume their energy free of charge (<a href="#">Bruegel</a>).</li> </ul>
<p><b>Positioning of the Federation</b></p>	<p><b>December 2022</b></p> <p>The Greek Association of Engineering Contractors for Public Works issued a position paper in early December, calling on the Minister of the Interior for an immediate increase in project funding to pay for contract review bills (<a href="#">AECPW</a>).</p>

	<p><b>Hungary</b></p>
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Commercial conditions	General	Construction
	<p><b>February 2023</b> At the end of 2022, inflation averaged 14.5% over the year, while the country's GDP grew by 0.4% in the last quarter of 2022 (<a href="#">Statistics Hungary</a>).</p> <p><b>March 2023</b> According to IMF estimates, Hungarian GDP will be 1.8% in 2023, while inflation will be 13.3% (<a href="#">IMF</a>).</p>	<p><b>February 2023</b> Construction output in October 2022 increased by 1.3% (<a href="#">Statistics Hungary</a>). In November 2022, the volume of construction output was 7.0% higher than a year earlier. The production of buildings increased by 18.6%. Production in the construction sector increased by 6.9% compared to October 2022. (<a href="#">Statistics Hungary</a>).</p> <p><b>March 2023</b> The volume of construction output in December 2022 was 3.9% lower than a year earlier. Among the main construction groups, building construction increased by 1.1% and civil engineering construction decreased by 12.7%. Construction output was 3.7% lower than in November. In 2022, construction output was 3.0% higher than in 2021. For the year as a whole, producer prices in construction - due to significant price increases for some building materials - were on average 24.5% higher than in the previous year (<a href="#">Statistics Hungary</a>).</p>
Raw materials & Energy	Procurement	Price / Cost
	<p><b>September 2022</b> 95% of Hungary's gas and 45% of its oil comes from Russia, making it highly dependent on the latter (<a href="#">OECD, June 2022</a>).</p> <p><b>November 2022</b> On 13 July 2022, the government declared a state of emergency and adopted a 7-point plan on energy security. The government intends to increase domestic natural gas production by 0.5 billion cubic metres per year to 2 billion cubic metres per year by this winter (<a href="#">Bruegel</a>).</p>	<p><b>December 2022</b></p>  <p>Producer price inflation in the construction sector in the third quarter of 2022: +26.5% (<a href="#">Statistics Hungary</a>).</p> <p><b>March 2023</b></p>

		Electricity, gas, and other fuels became 52.4% more expensive between January 2022 and January 2023. In this context, natural and manufactured gas prices increased by 88.6%, firewood prices by 58.6%, butane and propane gas prices by 50.6% and electricity prices by 27.7% ( <a href="#">Statistics Hungary</a> ).
<b>Measures adopted by public services</b>	<p><b>September 2022</b></p> <p>In order to counteract the negative impacts of the war in Ukraine, the government has launched various measures, including:</p> <ul style="list-style-type: none"> <li>• Reduction of social security contributions and employees' contributions for companies;</li> <li>• Massive increase in coal production;</li> <li>• Reopening of the Matra thermal power plant (closed since 2021);</li> <li>• Citizens who consume more than the average will have to pay for the surplus consumed (<a href="#">Le Figaro, July 2022</a>).</li> </ul> <p>Until July 2022, Hungary did not participate in the sanctions package imposed on Russia.</p> <p><b>October 2022</b></p> <ul style="list-style-type: none"> <li>• On 13 July, the government declared a state of emergency and adopted a seven-point energy security plan. The government intends to increase domestic natural gas production to 2.0 billion cubic metres and to search for additional sources of gas. Budapest will ban exports of energy resources such as firewood and increase domestic lignite production. In addition, a lignite power plant will be reopened in Matra and work on the Paks nuclear power plant near Budapest will be extended.</li> <li>• From August 2022, Hungary has abolished caps on gas and electricity prices for high-consumption households (those who consume more than the national average).</li> <li>• On 30 July, Hungary changed the eligibility conditions for price-capped fuel and increased the windfall tax levied on the oil and gas company MOL. Price-capped fuel, whether petrol or diesel, is now only available to private vehicles, agricultural vehicles and taxis. The main exclusion is for company cars. MOL's windfall tax will increase from 25% to 40% on 1 August.</li> <li>• The Commission approved Hungary's amendments to the business aid scheme to increase the maximum amount of aid to €62,000 per undertaking active in the agricultural sector, to €75,000 per undertaking active in the fisheries and aquaculture sectors and to €500,000 per undertaking active in all other sectors. In addition, Hungary has notified an increase in the overall budget of around € 459 million. This will bring the total budget of the scheme to approximately €1.58 billion (<a href="#">Bruegel</a>).</li> </ul>	

	<p><b>November 2022</b></p> <p>The European Commission's gas demand reduction initiative was only opposed by Hungary. However, the government set new targets in September 2022: to reduce gas consumption by 25% this winter for businesses and public buildings, as well as limiting maximum heating temperatures in public buildings, controlling the cost of firewood and announcing plans for a support programme for energy-intensive small businesses (<a href="#">Bruegel</a>).</p>
<b>Positioning of the Federation</b>	<p><b>September 2022</b></p> <p>The National Association of Construction Contractors (EVOSZ) and the Public Procurement Authority (KH) have jointly published recommendations for all parties involved in the public procurement process in the context of the war in Ukraine.</p> <p>The aim of this article is to describe, in the situation of force majeure in the context of the Russian-Ukrainian war, in the case of public procurement procedures initiated before the outbreak of the war, the legal solutions that contracting authorities or contracting parties can use to execute previously concluded contracts or to issue new public procurement procedures, which are appropriate to the situation (<a href="#">EVOSZ, 2022</a>).</p> <p><b>October 2022</b></p> <p>The Hungarian Construction Association has published a questionnaire for its members and any construction company on their assessments and expectations for the sector in the coming months (against the background of high inflation and material shortages). The questionnaire had to be completed by 23 September 2022. An analysis will be produced from it in the coming weeks (<a href="#">EVOSZ</a>).</p>

	Ireland	
Economic conditions	General	Construction
	<p><b>February 2023</b></p> <p>Inflation in Ireland is expected to slow in 2023, to 6.5% while GDP is forecast at 4% (<a href="#">IMF</a>).</p> <p><b>March 2023</b></p>	<p><b>December 2022</b></p> <p>The volume of construction output fell by 2.7% in the third quarter of 2022 compared with the second quarter of 2022. On an annual basis, a 4.5% decline in volume was recorded. The civil engineering sector increased by 10.3% in the seasonally adjusted volume index between Q2 2022 and Q3 2022 (<a href="#">Statistics Ireland</a>).</p>

	<p>The Consumer Price Index (CPI) rose by 7.8% between January 2022 and January 2023, down from an annual increase of 8.2% in the 12 months to December 2022.</p> <p>The division with the largest increase in the year to January was housing, water, electricity, gas and other fuels (+26.4%)(<a href="#">Statistics Ireland</a>).</p>	
Raw materials	Procurement	Price / Cost
	<p><b>November 2022</b></p> <p><u>Gas infrastructure development</u>: The Shannon LNG terminal is a proposed LNG terminal in Munster Province, owned and promoted by New Fortress Energy. The facility would be developed in three phases, the first to be completed in 2022 and provide regasification capacity of 2.8 billion cubic metres per year, the second to be completed in 2025 and add 2.1 billion cubic metres per year and the third to be completed in 2029 with an additional 3.3 billion cubic metres per year (<a href="#">Bruegel</a>).</p>	<p><b>September 2022</b></p> <p>Rolled steel has risen to €1,500, an increase of €600 since mid-February (66% increase).</p> <p>Reinforcing bar prices have risen by 50% from €900 to €1,350 per tonne in the last four weeks.</p> <p>Cables and copper increased by 31% to EUR 8 642 per tonne. Some types of steel are no longer available.</p> <p>100% increase in delivery times for air conditioners, electronic controls and lighting equipment (<a href="#">ICF, 2022</a>).</p>
Cost of energy	<p><b>September 2022</b></p> <p>At the beginning of 2022, the surge in prices of many commodities (oil, gas, metals, cereals) due to the war in Ukraine leads to a surge in inflation, which reaches 9.6% in June 2022. Driven mainly by energy prices (heating oil +115%, gas +57%, electricity +41%), it will remain very high in the second half of the year, with inflationary pressures spreading to all goods and services (<a href="#">COFACE, 2022</a>).</p> <p><b>October 2022</b></p> <p>Cost of electricity for consumers, according to their consumption (excluding households)(<a href="#">Eurostat</a>).</p>	

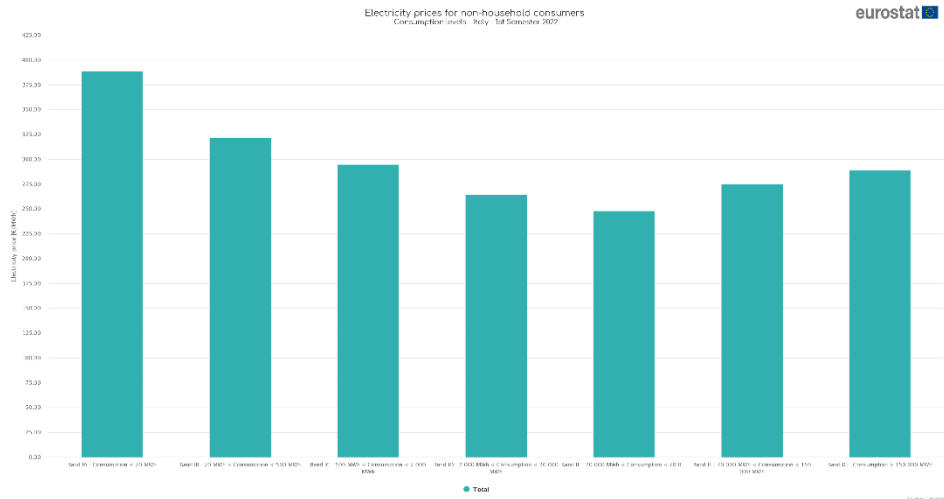
	<div data-bbox="884 188 1702 630" data-label="Figure"> <p>Electricity prices for non-household consumers Ireland, 1st January 2017 = 100 (base year 2017)</p> <p>Source: Eurostat</p> </div> <p><b>February 2023</b></p> <p>The Consumer Price Index (CPI) rose by 8.2% between December 2021 and December 2022, down from an annual increase of 8.9% in the 12 months to November 2022.</p> <p>The divisions with the largest increases over the year were housing, water, electricity, gas and other fuels (+25.9%). The division with the largest decrease during the month was "transport" (-2.6%)(<a href="#">Statistics Ireland</a>).</p>
<p><b>Measures adopted by public services</b></p>	<p><b>October 2022</b></p> <p>On 27 September, the Irish government presented its budget for 2023, which contains some measures to address the deepening energy crisis. In the most significant measure to date, Ireland has committed €1.25 billion to its temporary Business Energy Support Programme. This measure will allow eligible businesses to receive compensation for 40% of the increase in their energy bills (gas and electricity), up to a maximum of €10,000 per month. It is aimed at small businesses, but medium and large companies will also benefit. The measure will apply until February 2023. In addition, €200m has been committed to the Ukraine Enterprise Crisis Scheme, which aims to provide further support to businesses affected by the energy crisis and war in Ukraine. It targets internationally traded manufacturing and service sectors. In one part of the programme, €2 million will be provided in grants to energy-intensive companies severely affected by rising energy prices (<a href="#">Bruegel</a>).</p> <p><b>November 2022</b></p> <p>In May 2022, the government announced the provisional results of the second Renewable Electricity Support Scheme (RESS) auction, which resulted in a pipeline of 10 community projects with a total capacity of around 414 MW of onshore wind and 1,534 MW of solar (an increase of around 20% of Irish renewable energy generation). In August 2022, the government</p>



	increased the target capacity for offshore wind to 7 GW, up from 5 GW in 2030, and doubled the solar target to 5.5 GW and introduced a green hydrogen ambition of 2 GW. The government should revise its climate action plan by the end of 2022 to define the measures needed to achieve these targets ( <a href="#">Bruegel</a> ).
<b>Positioning of the Federation</b>	<p><b>September 2022</b></p> <p>At a meeting between the Irish Construction Federation (ICF) and the Minister for Public Expenditure and Reform, the ICF highlighted the significant impact of hyperinflation on industry costs, which could affect current and future public works projects (including the National Development Plan and Housing for All). The ICF said this creates "exceptional challenges" in the sector, increasing the likelihood that some contractors will not be able to bid for contracts and may even become insolvent. The ICF requests that an effective price variation clause be included in all new public works contracts and that this mechanism be applied retrospectively to all ongoing projects. This request is currently under review (<a href="#">ICF, 2022</a>).</p> <p><b>October 2022</b></p> <p>The ICF conducted a survey of the industry (202) to analyse the impact of the current economic situation on construction.</p> <ul style="list-style-type: none"> <li>• 96% reported an increase in the cost of materials in the last three months.</li> <li>• 85% believe that material costs will continue to rise in the next 3 months.</li> <li>• 79% of respondents reported an increase in project prices in the last 3 months (<a href="#">CIF</a>).</li> </ul>

	Italy	
Economic conditions	General	Construction
	<p><b>February 2023</b></p> <p>IMF projections for 2023 show a GDP of -0.2%, while inflation will be 5.2% (<a href="#">Statistics Italy</a>).</p> <p><b>March 2023</b></p> <p>The international environment going into 2023 is characterised by a general moderation of inflationary</p>	<p><b>February 2023</b></p> <p>In November 2022, construction output estimates increased by 0.5% month-on-month. In the three months to November 2022, the construction output index increased by 1.4% compared to the previous three-month period. Year-on-year, the index rose by 5.3%.</p>

	<p>pressures, due to lower energy prices, and a more gradual tightening of monetary policy.</p> <p>In the fourth quarter of 2022, Italian GDP decreased by 0.1% compared to the previous quarter. In 2022, the GDP growth rate was 3.9%, higher than the average growth rate of the euro area.</p> <p>On the supply side, after three consecutive declines, industrial production increased by 1.6% in December. However, in the fourth quarter of 2022, the index decreased by 0.9% compared to the previous three months.</p> <p>In December, the number of employed persons increased, while a decrease was recorded for inactive persons (<a href="#">Statistics Italy</a>).</p> <p>The Italian consumer price index decelerated in January. The positive gap with the euro area average decreased.</p> <p>Economic sentiment in January provided mixed signals: consumer confidence deteriorated while business confidence improved for the third consecutive month.</p>	<p>In the first eleven months of 2022, production in the construction sector increased by 12.5% (<a href="#">Statistics Italy</a>).</p> <p><b>March 2023</b></p> <p>In December 2022, producer prices for residential and non-residential building construction decreased by 0.1% monthly and increased by 7.6% on an annual basis; producer prices for road and rail construction decreased by 0.2% compared with the previous month and increased by 7.9% on an annual basis.</p> <p>Over the last three months, compared with the previous three months, construction output prices rose by 0.3% for residential and non-residential buildings and fell by 0.3% for roads and railways.</p> <p>In 2022, compared to 2021, producer prices in residential and non-residential building construction increased by 8.2%, those of roads and railways increased by 8.3% (<a href="#">Statistics Italy</a>).</p>
<b>Raw materials</b>	<p><b>Procurement</b></p> <p><b>February 2023</b></p> <p>To strengthen its energy supply and make Italy the energy capital of Europe, Italian Prime Minister Giorgia Meloni visited Algeria, while her Deputy Prime Minister Antonio Tajani flew to Cairo.</p> <p>Meloni arrived in Algiers on 22 January for her first bilateral visit abroad. Since the beginning of the war in Ukraine, Algeria has become Italy's main supplier of natural gas.</p> <p>The main topics discussed were energy security, economic cooperation and stability in the Mediterranean (<a href="#">Euractiv</a>).</p>	<p><b>Price / Cost</b></p> <p><b>February 2023</b></p> <p>In November 2022, producer prices for residential and non-residential building construction decreased by 0.1% on a monthly basis and increased by 8.2% on an annual basis; producer prices for road and railway construction decreased by 0.4% compared with the previous month and increased by 8.2% on an annual basis (<a href="#">Statistics Italy</a>).</p>

<p><b>Cost of energy</b></p>	<p><b>September 2022</b></p> <p>In concrete terms, the increase in the price of raw materials such as gas and fuels derived from oil represents an increase in the energy bill of industry which should reach 37 billion euros in 2022, compared to 8 billion in 2021, according to Confindustria, the Italian employers' association (<a href="#">RFI, February 2022</a>).</p> <p><b>October 2022</b></p> <p>Cost of electricity for consumers, according to their consumption (excluding households)(<a href="#">Eurostat</a>).</p>  <p>Electricity prices for non-household consumers Consumption levels Italy - 3rd September 2022</p> <p>Source: Eurostat</p> <table border="1"> <thead> <tr> <th>Consumption level (MWh)</th> <th>Price (EUR/MWh)</th> </tr> </thead> <tbody> <tr> <td>100,000</td> <td>~400.00</td> </tr> <tr> <td>200,000</td> <td>~325.00</td> </tr> <tr> <td>500,000</td> <td>~300.00</td> </tr> <tr> <td>1,000,000</td> <td>~275.00</td> </tr> <tr> <td>2,000,000</td> <td>~250.00</td> </tr> <tr> <td>5,000,000</td> <td>~225.00</td> </tr> <tr> <td>10,000,000</td> <td>~200.00</td> </tr> <tr> <td>20,000,000</td> <td>~225.00</td> </tr> <tr> <td>50,000,000</td> <td>~250.00</td> </tr> <tr> <td>100,000,000</td> <td>~275.00</td> </tr> </tbody> </table>	Consumption level (MWh)	Price (EUR/MWh)	100,000	~400.00	200,000	~325.00	500,000	~300.00	1,000,000	~275.00	2,000,000	~250.00	5,000,000	~225.00	10,000,000	~200.00	20,000,000	~225.00	50,000,000	~250.00	100,000,000	~275.00
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<p><b>Measures adopted by public services</b></p>	<p><b>September 2022</b></p> <p>Faced with inflation, the Italian government has put in place a 14-billion-euro plan to preserve household purchasing power and the production capacity of businesses.</p> <ul style="list-style-type: none"> <li>• Fuel tax reduction;</li> <li>• 200 in aid to the most deprived households;</li> <li>• Tax credits for energy-intensive businesses;</li> <li>• 25% tax on excess profits made by energy companies (<a href="#">France 24, May 2022</a>).</li> </ul> <p><b>October 2022</b></p>																						

	<p>At the end of July, the government drafted a bill entitled "Aiuti bis" amounting to 13 billion. More than 6 billion will be used to cover the extension of previously adopted measures:</p> <ul style="list-style-type: none"> <li>• 1.05 billion to extend the reduction of VAT on gas (from 22% to 5%) and fuel levies (30 cents per litre), 5 billion to cancel taxes on energy bills;</li> <li>• Until 31 October 2022, the effectiveness of any contractual clause allowing the electricity and natural gas supplier to unilaterally modify the general contractual conditions relating to price determination shall be suspended.</li> <li>• The tax exemption limit for company bonuses has been doubled to €516 if used for household bills.</li> <li>• 350 million has been allocated to local councils and 50 million to metropolitan areas to help them meet their energy costs.</li> <li>• The transport sector has also benefited from the law, with an additional \$101 million on top of the \$79 million already allocated by 2022.</li> <li>• 3.3 billion was then used to extend tax credits to businesses, including those in the agricultural sector.</li> </ul> <p>On 13 September, the Aiuti-bis bill was approved by the Senate for an overall budgetary allocation of 17 billion euros (2 billion more than expected).</p> <p>The first decree of this law concerns businesses in particular: the government has decided on a reinforced tax credit, both in terms of the percentage reduction and the number of eligible businesses to include SMEs, bars and restaurants (for the next three months). Businesses with electricity meters with an available power of 4.5 kW or more will receive a tax credit equal to 30% of the expenses incurred for the purchase of the energy component, and equal to 40% for the purchase of natural gas (<a href="#">Bruegel</a>).</p> <p><b>November 2022</b></p> <p>The government's national energy saving programme includes measures to reduce gas consumption. Mandatory measures include reducing radiators by one degree (from 20 to 19 degrees) and the heating period by eliminating 15 days of consumption in October and April - for a total saving of 3.18 billion m3. Voluntary measures would save up to 2.7 billion m3 and include actions to raise awareness of important behavioural changes (e.g. reducing the temperature and duration of showers by 2-3 minutes, turning down the heat after boiling food and reducing the time the oven is turned on, using electric heat pumps used for air conditioning in summer for heating in winter, etc.). On 6 October 2022, the Ministry of Ecological Transition published a supplementary decree focusing on measures to reduce heating consumption. In particular, it confirms both the 1-degree and 15-day reduction in winter consumption, but introduces some exceptions (e.g. hospitals, crèches, swimming pools, etc.)(<a href="#">Bruegel</a>).</p>
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<b>Positioning of the Federation</b>	<p><b>September 2022</b></p> <p>ANCE, the Italian construction association, warns of soaring prices. The situation is now "out of control [...]" as materials are scarce and many production plants are closing. Measures must be taken immediately to calm prices and compensate for the higher costs incurred by companies, otherwise the NRP construction sites will all come to a halt" (Gabriele Buia, president of ANCE).</p> <p>Workers in the public works sector denounce an unsustainable situation that jeopardises jobs and economic rights, due to the general increase in the cost of materials.</p> <p>ANCE has launched a survey among its members which shows that nearly 75% of the projects that are going to be put on the market have old and therefore obsolete prices.</p>
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	Lithuania	
Economic conditions	General	Construction
	<p><b>February 2023</b></p> <p>At the end of December 2022, monthly inflation was 0.3%, down from the previous month, giving an annual inflation of 21.7% (<a href="#">Statistics Lithuania</a>).</p> <p><b>March 2023</b></p> <p>In January 2023, the average annual inflation is 19.3% (Lithuania statistics). Prices for housing, water, electricity, gas and other fuels have increased by 47.6% (<a href="#">Statistics Lithuania</a>).</p>	<p><b>December 2022</b></p> <p>3.2 billion worth of construction work was carried out in the country from January to September 2022, compared to January-September 2021, the number of construction works carried out increased by 2.5%.</p> <p>457.6 million of construction work was carried out in the country in September 2022, 1.3% less than in August (<a href="#">LCA</a>).</p> <p><b>March 2023</b></p> <p>In December 2022, the volume of completed construction work increased by 0.3% (compared to November 2022).</p> <p>In December 2022, the volume of construction work carried out in the country amounted to EUR 449.8 million at current prices.</p>

		<p>Over one month, the volume of building construction increased by 0.7%, the volume of civil engineering construction decreased by 0.2%.</p> <p>In December 2022, compared to the same period in the previous year, the volume of completed construction work declined by 1.5% at constant prices.</p> <p>82.1 million and, adjusted for calendar effects, increased by 2.1% year-on-year.</p> <p>The volume of non-residential building construction amounted to 181.3 million euros and, adjusted for calendar effects, decreased by 8.1%.</p> <p>186.4 million and, adjusted for calendar effects, increased by 3.6%.</p> <p>In 2022, the volume of construction work carried out in the country amounted to 4.7 billion euros. 4.7 billion. Compared to 2021, it has increased by 4.4% at constant prices.</p> <p>The share of civil engineering construction accounted for 40.9% of the total construction work carried out in the country (EUR 1.9 billion)(<a href="#">statistics Lithuania</a>).</p>
Raw materials & Energy	Procurement	Price / Cost
	<p><b>September 2022</b></p> <p>Lithuania has completely stopped importing gas and oil from Russia since April 2022. It now uses mainly liquefied gas (<a href="#">OECD, June 2022</a>).</p>	<p><b>December 2022</b></p> <p>Producer prices have increased by 23.4% since November 2021 (<a href="#">Statistics Lithuania</a>).</p>

<b>Measures adopted by public services</b>	<p><b>October 2022</b></p> <p>On 1 April 2022, the government launched a €2.26 billion package to counter the effects of inflation and strengthen energy independence.</p> <p>To absorb energy price shocks, the government is compensating for part of the gas and electricity prices paid by private individuals (EUR 570 million in subsidies). At the same time, companies are offered not only solutions to compensate for gas and electricity prices, with a budget of €120 million, but also targeted funds for affected sectors to the tune of €142 million.</p> <p>The plan also includes <b>investments in energy independence</b> (EUR 1.12 billion). 275 million will be allocated to a new <b>renovation</b> investment platform, while subsidies for the green renovation and modernisation of apartment buildings amount to a further 46 million is earmarked for private charging infrastructure for electric vehicles in flat blocks, households, and private companies. 60 million is earmarked to promote the purchase and installation of solar power plants, and a further €19 million - for the replacement of biomass and fossil fuel boilers with technologically advanced installations. Additional investments in energy independence for businesses (€254 million) and in public projects (€193 million) are also planned.</p> <p>In October, in response to the continuing crisis, the Lithuanian government published its draft budget law earlier than usual, which includes several elements aimed at solving the energy crisis. 1.5 billion was set aside to help raise consumer incomes, by increasing the minimum wage and pensioners' salaries. Consumers are not the only ones in trouble and, like other countries, Lithuania has set aside €2.5 billion to help companies affected by rising energy prices (<a href="#">Bruegel</a>).</p> <p><b>November 2022</b></p> <p>The government has launched a package of measures including a new renovation investment platform and grants for the green renovation and adaptation of multi-apartment buildings, to subsidise 30% of renovation projects that will achieve at least energy performance class 'B' in buildings and deploy renewable technologies. Renovation of public buildings is also foreseen ('40 million).</p> <p>The government has launched a package of measures that encourage the purchase and installation of solar power plants, the deployment of solar, wind and electricity storage batteries in companies (60 million euros), the installation of an offshore wind farm in the Baltic Sea (9.8 million euros) and the deployment of solar and wind power plants in public buildings (30 million euros). In addition, it intends to implement private charging infrastructure for electric vehicles in multi-apartment buildings, households and private companies, the replacement of biomass and fossil fuel boilers with technologically advanced installations, hydrogen production equipment from renewable energy sources, ecological renovation of buildings, production of wood components, as well as investments in biofuel production technologies (<a href="#">Bruegel</a>).</p> <p><b>December 2022</b></p>
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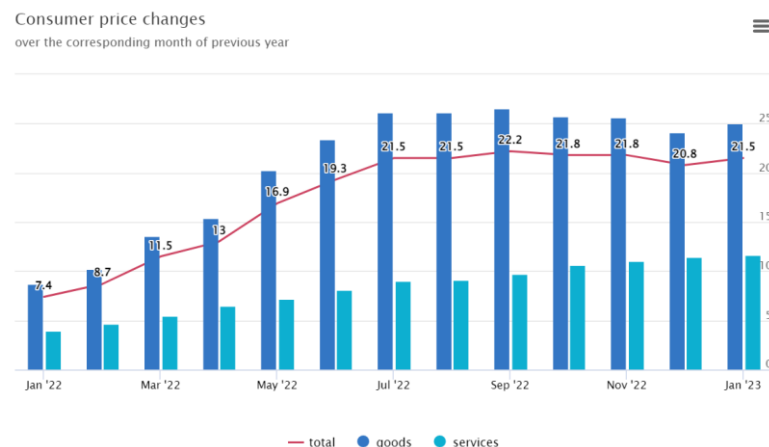
	<p>The Czech Republic's latest proposal for a cap on natural gas prices in the EU "is not enough", said Lithuanian Energy Minister Dainius Kreivys. "We have agreed (...) to continue working intensively towards an agreement on a mechanism that would guarantee the stability of the gas market, security of supply, viability of our industry and low prices for our people," he added. At the end of November, the European Commission proposed a gas price cap of €275 per megawatt-hour for one-month-ahead TTF contracts, but only if the price remains above that level for at least two weeks and if the price of liquefied natural gas exceeds €58 for 10 days within the two-week period.</p> <p>The Czech Republic, which currently holds the rotating EU presidency, proposed last week to lower the cap to €220. The cap would be triggered if prices for one-month contracts on the Dutch TTF, Europe's benchmark gas platform, exceed this level for five days and are €35 above the LNG reference price. According to the Lithuanian energy ministry, many member countries did not agree with the Czech proposal, with positions differing on the proposed price cap, the scope of the mechanism and the conditions for its activation and deactivation (<a href="#">Baltic News</a>).</p>
<b>Positioning of the Federation</b>	<p><b>October 2022</b></p> <p>In the face of drastically rising prices and the war in Ukraine, the Lithuanian Construction Association organised an information and awareness-raising webinar entitled "Public Construction Procurement in 2022-2023" in mid-October 2022. The aim was to discuss and exchange ideas on how to improve the public procurement situation in Lithuania. Construction market players, experts, representatives of contracting authorities and public authorities had the opportunity to make presentations, share ideas and discuss the challenges of public construction procurement, examples of good practice and necessary changes (<a href="#">LCA</a>).</p>

	Latvia	
Commercial conditions	General	Construction
	<p><b>February 2023</b></p> <p>The latest data from the Central Statistical Office show that in December 2022, compared to December 2021, the average consumer price level increased by 20.8% (<a href="#">Statistics Latvia</a>).</p>	<p><b>February 2023</b></p> <p>Data from the Central Statistical Office show that in November 2022, compared to November 2021, the level of construction costs in Latvia increased by 19.5%. The prices of construction materials increased by 24.6%, the costs of</p>



### March 2023

Consumer price inflation, January 2022 - January 2023 ([Latvian statistics](#)).



maintenance and operation of machinery and equipment - by 18.1%, but workers' remuneration - by 10.4% ([Statistics Latvia](#)).

### March 2023

The latest data from the Latvian Central Statistical Office shows that, compared to 2021, output in the construction sector fell by 11.3% in 2022. The fall in output in the civil engineering sector was 13.1%, in specialised construction activities 11.3% and in building construction 9.8%.

The decrease in civil engineering output was influenced by the decrease in construction of other civil engineering projects (construction of water projects and construction of other unclassified civil engineering projects)(56.4%) as well as construction of utility projects (construction of utility projects for fluids, construction of utility projects for electricity and telecommunications)(15.9%). Production in road, railway and bridge construction increased by 2.3%.

A decline in production was observed in all specialised construction activities: electricity, plumbing and other building installation activities (10.9%), building completion and finishing (plastering, carpentry installation, floor and wall covering, painting and glazing) (7.9%), other specialised construction activities (roofing and other specialised construction activities not elsewhere classified) (2.4%), as well as demolition and site preparation (0.3%).

Compared to the 3rd quarter of 2022, in the 4th quarter of 2022, production in construction did not change. Production in building construction increased by 8.3%, while in civil

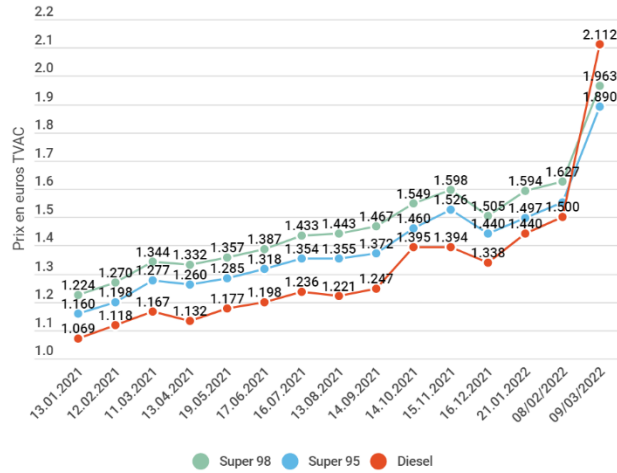
		engineering and specialised construction it decreased by 4.3% and 0.7%, respectively ( <a href="#">Latvian statistics</a> ).
Raw materials & Energy	Procurement	Price / Cost
	<p><b>December 2022</b></p> <p>On 7 December, work on the improvement of the gas interconnection between Lithuania and Latvia was completed in the Pasvalys district in Lithuania. It is now possible to transport 90 GWh of gas through this pipeline, 30% more than was previously possible.</p> <p>The joint investment of Latvia and Lithuania in this project amounts to EUR 10.2 million. 4.7 million was provided by Lithuania and €2.1 million by the European Union (<a href="#">BNN</a>).</p>	<p><b>February 2023</b></p> <p>Data from the Central Statistical Office of Latvia show that in December 2022, compared to December 2021, the level of producer prices in Latvian industry increased by 28.8%. The price level of products sold on the domestic market increased by 48.4% and that of exported products by 11.1%.</p> <p>Price increases in electricity, gas and air conditioning, wood and cork products manufacturing (except furniture), other non-metallic mineral products manufacturing and metal products manufacturing (except machinery and equipment) had the largest impact on producer prices (<a href="#">Statistics Latvia</a>).</p> <p>The average price level of housing-related goods and services increased by 42.8%. During the year, the most significant increase in prices was for thermal energy, solid fuels, natural gas and electricity.</p> <p>The prices of transport-related goods and services increased by 12.6%, which was determined by the 17.9% increase in transport fuel prices. Diesel prices rose by 26.2%, petrol by 9%, but motor gas by 5.3% (<a href="#">Statistics Latvia</a>).</p> <p><b>March 2023</b></p> <p>Data from the Central Statistical Office of Latvia show that in January 2023, compared to January 2022, the average level of producer prices in Latvian industry increased by 22.9%. The price level of products sold on the domestic market increased by 37.3% and that of exported products by 9.4%. The prices of products exported to eurozone countries</p>

		<p>increased by 11.8% and those exported to non-eurozone countries by 7.4%.</p> <p>The increase in the prices of electricity, gas, steam and air conditioning supply, food manufacturing, wood and cork products manufacturing (except furniture), as well as other non-metallic mineral products manufacturing had the largest impact on producer prices: the costs of electricity, gas, steam and air conditioning supply increased by 56.1% between January 2022 and 2023 (<a href="#">Statistics Latvia</a>)</p> <p>Data from the Central Statistical Office show that in December 2022, compared to December 2021, the level of construction costs in Latvia increased by 19.3%. The prices of construction materials increased by 24.7%, the costs of maintenance and operation of machinery and equipment - by 17.5%, but workers' remuneration - by 10.3% (<a href="#">Statistics Latvia</a>).</p>
<b>Measures adopted by public services</b>	<p><b>October 2022</b></p> <p>On 23 August, the government amended the legislation to provide for compensation for the costs of electricity network service for businesses from 10 October 2022 to 30 April 2023, measures to partially cover the increase in heat supply and heating costs for households, and partial compensation of energy resource prices for energy-intensive businesses. This measure could cost the state around 123 million euros.</p> <p>In addition to the planned support for entrepreneurs, changes to the law on measures to cushion rising energy prices have also come into force. In addition, around 250 energy-intensive companies could receive support. The average grant is expected to amount to EUR 200,000. Thus, the Ministry of Economic Affairs expects that the support for energy-intensive companies will cost the state about EUR 50 million (<a href="#">Bruegel</a>).</p> <p><b>December 2022</b></p> <p>On 13 December, the Latvian government decided to extend the period of increased benefits for protected electricity users until 30 April 2023. The government also decided to expand the range of beneficiaries of the benefits granted to protected users, as</p>	

	reported by the Ministry of Economy. This support, taking into account the high electricity prices and the current benefit ratio, amounts to EUR 15 for poor or low-income households; EUR 15 for families with disabled children; EUR 15 for disabled persons of the first group or their guardian; EUR 20 for large families ( <a href="#">BNN</a> ).
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	Luxembourg	
Economic conditions	General	Construction
	<p><b>February 2023</b> Luxembourg's GDP reached 1.1% in the fourth half of 2022, while its annual inflation was 5.4% (<a href="#">Statistics Luxembourg</a>).</p> <p><b>March 2023</b> In Luxembourg, consumer prices have been slowing down since October 2022 as a result of the measures in the tripartite agreement which will help to contain inflation during 2023. STATEC maintains its inflation forecast for this year at 3.4%. The lifting of tariff shields at the turn of the year would push inflation back up to 4.8% in 2024. This rebound would mainly result from gas and electricity tariffs that would once again reflect real purchase prices on the wholesale markets. An indexation is also foreseen in the 2nd quarter of 2024 (<a href="#">Statistics Luxembourg</a>).</p>	<p><b>February 2023</b> The construction price index rose by 6.8% between April and October 2022, marking a slight slowdown compared with the previous six months (+8.6% between October 2021 and April 2022). Over a year, residential construction prices rose by 15.9%. The annual rate of change thus reached its highest level since April 1975. The rise in the cost of energy and many construction materials, and the fact that they are passed on to builders, are the main reasons for this new substantial increase (<a href="#">Statistics Luxembourg</a>).</p> <p><b>March 2023</b> Residential property prices rose by 11.1% per annum in the third quarter of 2022. Although still historically high, price growth is slowing, particularly for older properties. In contrast, prices for new homes soared in the third quarter. According to the Observatoire de l'Habitat, the increase is mainly due to a change in contracts for unfinished new homes, which now have higher sales prices that consider expected cost increases instead of being indexed to construction prices. Prices for construction services continue to accelerate (record +15.9% year-on-year increase in Q4),</p>

		<p>which should support new house prices (<a href="#">Statistics Luxembourg</a>).</p> <p>Construction is one of the sectors where the slowdown has been most pronounced in the past year. In 2022, the number of construction workers will only increase by 2.5% year-on-year (+2.0% in the fourth quarter), compared to +3.7% in 2021. In the business surveys, building and public works contractors report a continuous deterioration in orders since March 2022 (25% consider that demand is insufficient at the end of the year) and a less favourable employment outlook. Construction job vacancies reported to ADEM - which reached a record high in the second quarter of 2022 - continued to fall in the fourth quarter.</p> <p>The figures for construction output confirm this less buoyant climate, falling by 8.1% over one month in October in the Grand Duchy, the most pronounced fall in the EU (<a href="#">Statistics Luxembourg</a>).</p>
<b>Raw materials</b>	<b>Procurement</b>	<b>Price / Cost</b>
	<p>Luxembourg is not directly affected by the war in Ukraine, as its trade relations with Russia are minimal. Luxembourg gets most of its energy from liquefied gas from the Netherlands and Belgium, as well as gas from Norway. Previously, Luxembourg got 12% of its energy from imports, including 5% from Russian oil. In 2022, Luxembourg diversified its oil supplies to the Middle East (<a href="#">OECD, June 2022</a>).</p> <p><b>March 2023</b> Luxembourg is opposed to the European Commission's planned overhaul of the electricity market rules. The energy</p>	<p><b>February 2023</b> Residential property prices rose by 11.1% per annum in the third quarter of 2022. Although still historically high, price growth is slowing, especially for older properties. In contrast, prices for new homes soared in the third quarter. According to the Observatoire de l'Habitat, the increase is mainly due to a change in contracts for unfinished new homes, which now have higher sales prices that consider expected cost increases instead of being indexed to construction prices. Prices for construction services continue to accelerate (record +15.9% year-on-year increase in Q4), which should support new house prices (<a href="#">Statistics Luxembourg</a>).</p>

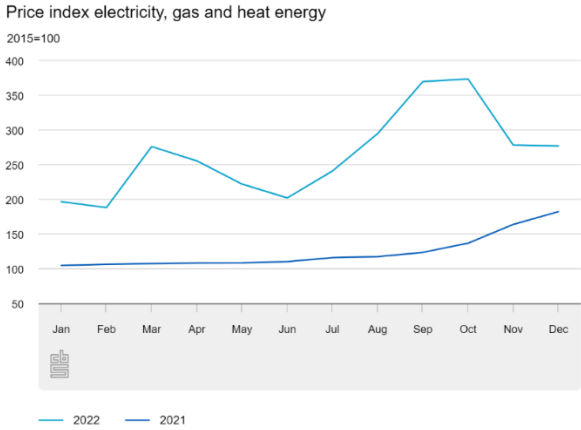
	<p>ministry fears it will "slow down investment in renewable energy".</p> <p>While the European Commission is preparing an overhaul of the European electricity market rules to better cushion consumers' bills in the face of soaring prices, seven countries, including Denmark, Germany, and Luxembourg, are opting for simple adjustments.</p> <p>Luxembourg therefore calls for an in-depth analysis of "the elements of the market that really need to be revised" and stresses that "any reform effort must focus on putting in place the right investment signals to ensure the massive deployment of renewable energy and energy savings". Among the strong measures, Luxembourg, like the other signatories of the letter, does not want a prolongation of a temporary EU measure that claws back windfall revenues from non-gas energy producers (<a href="#">The Gist</a>).</p>	
<p><b>Cost of energy</b></p>	<p><b>September 2022</b></p> <p>The price of gas in Luxembourg is expected to increase in the autumn/winter of next year by 160% compared to the summer of 2022 (compared to 90% in the last forecast). STATEC still forecasts an 80% increase in gas prices in October 2022, followed by a 10% increase in November 2022 and a 30% increase in January 2023 (up from 10%). Electricity prices have also been adjusted, with a 45% increase expected in January 2023 (up from 35%)(<a href="#">STATEC, September 2022</a>).</p>	 <p>Source : Groupement pétrolier luxembourgeois</p> <p>made with infogram</p>

<b>Measures adopted by public services</b>	<p><b>October 2022</b></p> <p>On 28 September, the government signed a tripartite agreement in association with the three main trade unions and the Luxembourg Employers' Association. The package of measures includes a series of supports for consumers and businesses to continue to fight against rising energy costs.</p> <p>To help households, the government has introduced a cap on gas prices at a maximum increase of 15% and a total freeze on electricity prices from January to December 2023. In the fuel sector, the price of heating oil has been reduced by 15 cents per litre and VAT has been reduced across the board. The standard VAT rate has been reduced from 17% to 16%, the intermediate rate from 14% to 13% and the reduced rate from 8% to 7%. The package also tackled the cost of living by increasing the minimum wage and restructuring wage indexation. In addition, household energy allowances of between 200 and 400 euros will be distributed to eligible households.</p> <p>To support businesses, compensation for rising energy prices has been proposed through a series of incentives. The existing tax credit system has been adapted to encourage investment in the green and digital transitions. As part of this, businesses are encouraged to supply their own electricity, with new subsidies for solar panels. "Power purchase agreements" are also proposed to encourage companies to source energy directly from renewable energy suppliers (<a href="#">Bruegel</a>).</p> <p><b>November 2022</b></p> <p>To mitigate the explosion in energy costs, linked to the war in Ukraine, various aids have been put in place for businesses. From 30 November, small and medium-sized enterprises will be able to apply for government aid, especially those whose energy costs represent 2% of their turnover for the month of application. The aid scheme for medium-sized energy-consuming companies covers the period from October 2022 to June 2023, the Directorate-General for the Middle Classes announced in a press release, specifying that the application forms are now available on the <a href="#">guichet.lu</a> website under the heading "financing and aid".</p> <p>The eligible costs are the monthly incremental costs of natural gas and electricity which exceed 80 % of the average unit costs of natural gas and electricity incurred by the company in the last year from January to December 2021. The amount of aid is calculated based on the eligible costs of the project and may not exceed 70% of the eligible costs. The amount of aid is limited to EUR 500 000 per group for the eligible period (<a href="#">The Daily</a>).</p> <p><b>February 2023</b></p> <p>To counteract increases in the integrated electricity price for residential customers from 1 January 2023, a tripartite agreement provides for prices to be stabilised at their 2022 level.</p>
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	<p>This stabilisation will be achieved by introducing a negative contribution via the A-rate of the compensation mechanism for customers in this category, i.e. end customers with an annual electricity consumption of 25,000 kWh or less.</p> <p>Thus, regardless of the evolution of energy prices or network charges, the prices charged to eligible customers of the A-rate of the compensation mechanism will remain stable compared to 2022.</p> <p>This measure applies automatically, no action is required and will also be reflected in the advances payable by customers.</p> <p>Currently, the legal framework for the implementation of this price stabilisation mechanism is being finalised (<a href="#">Luxembourg Energy Office</a>).</p>
<b>Positioning of the Federation</b>	

	Netherlands	
Economic conditions	General	Construction
	<p><b>February 2023</b></p> <p>According to Statistics Netherlands (CBS), the consumer price index rose by 9.6% in December 2022 compared to the same month of the previous year. The evolution of energy prices had a downward effect on inflation. The annual inflation rate is 10.0% in 2022 compared to the previous year (<a href="#">CBS</a>).</p> <p>According to the second estimate of Statistics Netherlands (CBS), gross domestic product (GDP) decreased by 0.2% in the third quarter of 2022 compared to the second quarter of 2022 (<a href="#">CBS</a>).</p> <p><b>March 2023</b></p> <p>The Dutch economy grew by 4.5% in 2022, following growth of 4.9% in 2021. Such growth in two consecutive years has not been recorded in this century. Both inflation and household</p>	<p><b>February 2023</b></p> <p>In December, owner-occupied housing (excluding new construction) was on average 2.7% more expensive than in the same month last year, compared to 4.9% in November. This is the smallest year-on-year price increase for over seven years.</p> <p>In addition to the December figures, Statistics Netherlands (CBS) can provide annual figures. In 2022, the prices of owner-occupied housing rose by an average of 13.6% compared to the previous year (<a href="#">CBS</a>).</p> <p><b>March 2023</b></p> <p>In January, owner-occupied housing (excluding new builds) was on average 1.1% more expensive than in the same month a year earlier, compared with 2.7% in December 2022. This is the smallest year-on-year price increase for almost nine</p>



	<p>consumption have reached record levels. This is reported by Statistics Netherlands (CBS) in an annual review of the economy for the year 2022 (<a href="#">Statistics Netherlands</a>).</p> <p>According to the Statistical Office of the Netherlands (CBS), the consumer price index (CPI) rose by 7.6% in January compared to the same month last year. In December, the inflation rate was 9.6%. In particular, the cap on energy prices brought inflation down.</p>	<p>years. This is the result of the monitoring of existing owner-occupied housing prices by Statistics Netherlands (CBS) and the Dutch Agency for Cadastre, Land Registry and Mapping (<a href="#">Statistics Netherlands</a>).</p>																																							
Raw materials & Electricity	<p><b>Procurement</b></p> <p>15% of the gas and 18% of the oil consumed in the Netherlands comes from Russia.</p> <p><b>November 2022</b></p> <p>The authorities have lifted the production cap on coal-fired power plants, which were previously only allowed to operate at less than 35% of their total capacity. According to Reuters, the removal of the cap on coal is expected to save 2 billion m3 of gas per year (<a href="#">Bruegel</a>).</p>	<p><b>Price / Cost</b></p> <p><b>February 2023</b></p> <p>Prices of electricity, gas and heat, comparison 2021 - 2022 (<a href="#">Statistics Netherlands</a>).</p>  <table border="1"> <caption>Price index electricity, gas and heat energy (2015=100)</caption> <thead> <tr> <th>Month</th> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr><td>Jan</td><td>200</td><td>100</td></tr> <tr><td>Feb</td><td>190</td><td>100</td></tr> <tr><td>Mar</td><td>280</td><td>100</td></tr> <tr><td>Apr</td><td>250</td><td>100</td></tr> <tr><td>May</td><td>220</td><td>100</td></tr> <tr><td>Jun</td><td>200</td><td>100</td></tr> <tr><td>Jul</td><td>250</td><td>100</td></tr> <tr><td>Aug</td><td>300</td><td>100</td></tr> <tr><td>Sep</td><td>380</td><td>100</td></tr> <tr><td>Oct</td><td>380</td><td>100</td></tr> <tr><td>Nov</td><td>280</td><td>100</td></tr> <tr><td>Dec</td><td>280</td><td>100</td></tr> </tbody> </table>	Month	2022	2021	Jan	200	100	Feb	190	100	Mar	280	100	Apr	250	100	May	220	100	Jun	200	100	Jul	250	100	Aug	300	100	Sep	380	100	Oct	380	100	Nov	280	100	Dec	280	100
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Measures adopted by public services	<p><b>September 2022</b></p> <p>The government has put in place measures to mitigate the impact of rising energy costs:</p> <ul style="list-style-type: none"> <li>• 800 million in energy subsidies for the poorest households; €300 million in support for home insulation.</li> <li>• VAT on energy has been reduced from 21% to 9%;</li> <li>• Taxes on petrol and gas are reduced to 22% (<a href="#">OECD, June 2022</a>).</li> </ul>																																								

**October 2022**

In September 2022, the government announced that it would increase the minimum wage by 10% to cope with inflation and the introduction of a single tax on energy companies. The government also announced an electricity price cap from January 2023, limiting the price of electricity to the average price in January 2022 for an average level of consumption (around EUR 15.5 billion budget).

Other temporary measures were announced:

- The Dutch government has further reduced energy taxes, resulting in a loss of revenue of EUR 5.4 billion.
- The previously established reduction in excise duties on fuel will be extended, resulting in an additional revenue loss of EUR 1.2 billion.
- The direct cost to consumers will be a one-off energy allowance for vulnerable households worth €1,300.

On 4 October, the Dutch government finally reached an agreement on the price cap announced last month. To protect consumers from rising energy prices, the Dutch government will freeze the price of electricity at 0.40 euro/KWh and freeze the price of gas at 1.45 euro per cubic meter of gas. These price caps only apply to 2900 kilowatt hours of electricity and 1200 cubic metres of gas. This measure will cost some 23.5 billion euros ([Bruegel](#)).

**November 2022**

On 16 September 2022, the government announced wind power targets of around 50 GW by 2040 and around 70 GW by 2050 (the target for 2030 is set at around 21 GW, or around 75% of current total electricity consumption). It has also announced its ambitions for large-scale hydrogen production projects in the North Sea ([Bruegel](#)).

A major insulation programme was launched in April 2022, aiming to invest €4 billion to improve the energy efficiency of 2.5 million households by 2030, almost a third of the country's housing stock. Homes with the lowest energy rating (E, F and G) will be renovated first, with homeowners receiving grants equal to 30% of the cost and additional support for those who cannot afford the work themselves. Homes rated E, F or G will no longer be available for rent after 2030. The aim is to install 1 million hybrid heat pumps in existing buildings by 2030 and to start phasing out mono central heating boilers. On 17 May 2022, the government announced that hybrid heat pumps will be the standard for domestic heating from 2026. Until 2030, the cabinet has set aside €150 million per year to continue to support homeowners in purchasing a (hybrid) heat pump. The government has also announced that houses with a bad energy label (E, F, G) cannot be rented after 2030 ([Bruegel](#)).

**December 2022**

The Netherlands has proposed a new idea to prevent gas price spikes in the EU in a paper circulated to European capitals. The Netherlands has proposed its own idea for a cap to limit the cost of gas purchases by so-called "price insensitive" buyers, such as those funded by the authorities or legally obliged to buy to fill stocks before winter. According to the paper, demand from these players drove up the price of gas in August 2022, causing prices on the EU's main gas trading platform to spike. To prevent this demand from causing further price spikes, the Dutch paper proposes a cap that could be applied to these buyers throughout the year, which would be broader in scope and lower than the Commission's current cap proposal. It would also be reviewed monthly to avoid jeopardising the EU's energy security. In addition, it would avoid hampering financial markets and driving down prices, according to the paper ([Euractiv](#)).

### March 2023

On 1 January 2023, an energy price cap came into force. In 2023, households will not pay more than a maximum price for gas (EUR 1.45 per m<sup>3</sup>), electricity (EUR 0.40 per kWh) and district heating (EUR 47.38 per GJ) up to a certain level of annual consumption. The price cap has led to a decrease in inflation. In January, energy was 3.4% cheaper than a year earlier. In December, energy was still 52% more expensive.

As a reminder, in the autumn of 2022, the Dutch government announced two measures to reduce household energy costs: the temporary energy allowance and the energy price cap. The allowance, which was paid in November and December, is considered as income support and therefore does not influence the CPI. In contrast, the price cap, which was implemented in January 2023, has a direct impact on the price of electricity or gas supplied and is therefore included in the CPI from January. This is explained in more detail in the article "How energy measures are included in the CPI" ([Statistics Netherlands](#)).

**Russian sanctions:** The European Union should set up a body to combat large-scale circumvention of EU sanctions against Russia, centrally from Brussels. This was stated on Monday (20 February) by Dutch Foreign Minister Wopke Hoekstra. Although Russia is heavily penalised by the EU's restrictive measures, "at the same time these measures are being circumvented on a large scale", Hoekstra said. "We currently have too few means in the EU to analyse, coordinate and promote new sanctions - that's why I would like to see us set up a sanctions body in Brussels, aimed at [combating] circumvention," Hoekstra said. According to the Dutch minister, "this would be a forum where Member States could pool information and resources on efficiency and fraud, where we would do much more to fight circumvention". The new sanctions enforcement body would draw up a watch list of sectors and trade flows with a high risk of circumvention of sanctions, according to the Dutch proposal. The proposal has yet to win the support of member states, which are traditionally wary of reforms that require changes to their criminal law ([Euractiv](#)).

<b>Positioning of the Federation</b>	<p><b>November 2022</b></p> <p>The Dutch Construction Association is closely following the externalities of the war in Ukraine and the developments surrounding the Russian invasion. One of the most serious consequences of the conflict is the rapid increase in the price of materials and fuel. The Association provides a comprehensive overview of the impact of the war on the construction industry on the following page: <a href="#">Ukrainian crisis and rising prices in the sector</a>.</p> <p><b>December 2022</b></p> <p>This week, representatives of customers and contractors in the construction sector reached an action agreement in the context of rising prices and supply problems for local authority infrastructure works. From the outset, the framework for action was used by Bouwend Nederland and other partners in the sector. The aim is to limit the impact of price increases due to the war in Ukraine as much as possible and to be able to continue building with customers in times of uncertainty (<a href="#">Bouwend Nerlander</a>).</p>
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	Poland	
Economic conditions	General	Construction
	<p><b>February 2023</b></p> <p>Annual inflation will have been 16.6% (slowing down compared to the previous months).</p> <p><b>March 2023</b></p> <p>According to preliminary data, in January 2023 consumer prices increased by 17.2% compared to the corresponding month of the previous year. Compared to the previous month, consumer prices increased by 2.4% (<a href="#">Statistics Poland</a>).</p>	<p><b>February 2023</b></p> <p>In 2022, there were more dwellings completed than in 2021. At the same time, the number of dwellings for which permits have been granted, as well as dwellings for which construction has begun, has decreased.</p> <p>According to preliminary data, 238.6 thousand dwellings were completed in the period from January to December 2022, 1.7% more than in the corresponding period of 2021. Developers completed 143.8 thousand dwellings - 1.3% more than a year ago, while private investors completed 91.0 thousand dwellings, 3.2% more. In these forms of construction, 98.4% of the total number of newly completed dwellings were built. As for the other forms of construction, i.e. cooperatives, municipalities, public building companies and enterprises, 3.8 thousand</p>

dwellings were completed (4.6 thousand in the previous year)([Statistics Poland](#)).

According to preliminary data, construction, and assembly output (in constant prices) on the national territory was 0.8% lower than in the same period of 2021 and 17.3% higher than in November 2022 (Statistics Poland).

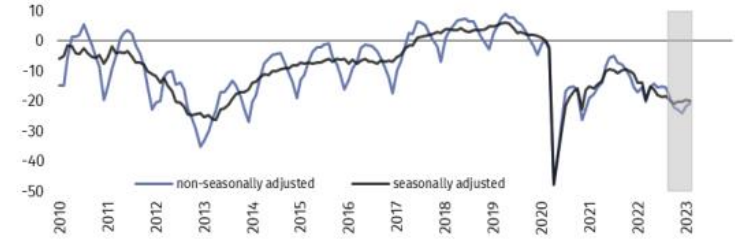
**Table 1. Index numbers of construction and assembly production (constant prices)**

SPECIFICATION	12 2022		01-12 2022 <sup>2</sup>
	11 2022=100	12 2021=100	01-12 2021=100
<b>CONSTRUCTION</b>	<b>117.3</b>	<b>99.2</b>	<b>106.2</b>
Construction of buildings <sup>^</sup>	118.4	96.3	111.7
Civil engineering works <sup>^</sup>	121.4	101.4	102.8
Specialised construction activities	109.1	98.3	105.4

<sup>^</sup> Abbreviated form according PKD 2007.

### March 2023

In February, the assessments of the general business climate indicator are slightly higher than in January in all types of activities presented. The most pessimistic assessments are formulated by enterprises representing the accommodation and food services (minus 22.4) and construction ([minus 20.4](#)) sections ([Statistics Poland](#)).

		<p><b>Construction (graph 2)</b></p> <p>In the current month general business climate indicator (NSA) takes the value minus 20.4 and it is slightly higher than the one reported in the previous month (minus 21.7).</p>  <p>According to preliminary data, construction and assembly output (in constant prices) at national level by enterprises with more than 9 employees was 2.4% higher in January 2023 than in the previous year and 55.1% lower than in December 2022 (<a href="#">Statistics Poland</a>).</p>
<b>Raw materials &amp; Electricity</b>	<p><b>Procurement</b></p> <p>The country is heavily dependent on oil and gas imports: Poland used to import 55% of its hydrocarbons from Russia, 66% of which was natural gas. The government is actively preparing the diversification of supply sources (notably to Africa)(<a href="#">Crédit Agricole, Economic Studies, September 2022</a>).</p>	<p><b>Price / Cost</b></p> <p><b>December 2022</b></p> <p>According to preliminary data, in November 2022, prices for construction and assembly production compared to the corresponding month of the previous year increased by 14.7% and compared to October 2022 - by 0.6%.</p> <p>In November 2022, compared to October 2022, price growth was recorded in building construction by 0.4%, civil engineering - by 0.5% as well as in specialised construction activities - by 0.9% (<a href="#">Statistics Poland</a>).</p> <p><b>March 2023</b></p> <p>According to preliminary data, in January 2023, construction and assembly output prices compared to January 2022 increased by</p>

		<div>13.1%, and compared to December 2022 remained at the similar level (<a href="#">Statistics Poland</a>).</div> <div>Table 1. Price indices of construction and assembly production in December 2022 and January 2023</div> <table><tr><th rowspan="2">SPECIFICATION</th><th colspan="2">12 2022</th><th>01-12 2022</th><th colspan="2">01 2023</th></tr><tr><th>11 2022=100</th><th>corresponding period 2021=100</th><th></th><th>01 2022=100</th><th>12 2022=100</th></tr><tr><td>TOTAL</td><td>100.6*</td><td>114.4*</td><td>112.7</td><td>113.1</td><td>100.0</td></tr><tr><td>Construction of buildings</td><td>100.6*</td><td>115.5*</td><td>113.5</td><td>114.2</td><td>100.1</td></tr><tr><td>Civil engineering</td><td>100.6*</td><td>114.4*</td><td>112.8</td><td>113.2</td><td>100.1</td></tr><tr><td>Specialised construction activities</td><td>100.7*</td><td>113.0*</td><td>111.2</td><td>111.5</td><td>99.9</td></tr></table> <div>* Data revised.</div>	SPECIFICATION	12 2022		01-12 2022	01 2023		11 2022=100	corresponding period 2021=100		01 2022=100	12 2022=100	TOTAL	100.6*	114.4*	112.7	113.1	100.0	Construction of buildings	100.6*	115.5*	113.5	114.2	100.1	Civil engineering	100.6*	114.4*	112.8	113.2	100.1	Specialised construction activities	100.7*	113.0*	111.2	111.5	99.9
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Measures adopted by public services	<div>September 2022</div> <div>The government introduced measures to protect households against inflation at the beginning of 2022, which will be extended until December 2022. The government has also decided to invest in national defence (budget of 2.2% of gdp in 2022 and 3% of gdp in 2023) (<a href="#">OECD, June 2022</a>).</div>																																				

	Premier bouclier (décembre)	Deuxième bouclier (janvier)
<b>Electricité</b>	TVA réduite de 23% à 5% (jan.-mars)	Extension jusqu'en juil.
<b>Gaz</b>	TVA réduite de 23% à 8% (jan.-mars)	TVA réduite de 8% à 0% jusqu'en juil.
<b>Chauffage</b>	TVA réduite de 23% à 8% (jan.-mars)	TVA réduite de 8% à 5% jusqu'en juil.
<b>Carburant</b>	Suppression de la taxe d'accise	TVA réduite de 23% à 8% jusqu'en juil.
<b>Produits alimentaires</b>	/	TVA sur les produits de première nécessité passe de 5% à 0% jusqu'en juil.
<b>Mesures d'assistance</b>	Distribution d'un chèque aux ménages les plus pauvres	/

### October 2022

On 11 October, Prime Minister Mateusz Morawiecki detailed a new plan to cap electricity prices for consumption above the limits set in September. The cap will be set at PLN 785 per MWh (€163.6/MWh or €0.16/KWh) for small and medium-sized enterprises, schools, nurseries, hospitals, social cooperatives, and associations. All private and public companies will have the price cap applied to 90% of their consumption. For households, the price cap has been set at PLN 699/MWh (€144/MWh or €0.14/KWh). The price cap should apply from December 2022 to December 2023. The measure will be financed by revenues from the exceptional tax on electricity producers and from the state budget ([Bruegel](#)).

### November 2022

- In September, the country suspended the ban on the use of lignite for domestic heating until April 2023. In June, it stated that it planned "to increase thermal coal production from existing mines to 1.5 million tonnes this year" ([Bruegel](#)).
- Public and local authorities will be required to reduce their electricity consumption by 10% from 1 October 2022 ([Bruegel](#)).
- Poland is fast becoming the most dynamic heat pump market in Europe: by 2021, the market has grown by 66% with over 90,000 units installed to reach a total of over 330,000 units. This is probably the result of Poland's Clean Air Programme, launched in 2018 and energised in May 2020, which distributes €25 billion to households over 11 years



	<p>to switch from solid fuel heating. However, the war in Ukraine appears to have accelerated household adoption, with installations doubling from 2021. The government has offered residents up to €6,700 since 2018 to switch from coal-fired boilers to cleaner types of heating. From 15 July 2022, another version of the scheme - Clean Air Plus - was launched. This increased the subsidy for thermal renovation of homes or replacement of obsolete heating boilers to a 90% subsidy of €16,260, also facilitating the application process (<a href="#">Bruegel</a>).</p> <ul style="list-style-type: none"> <li>• <b>In a letter to the EU institutions, Poland warns against the introduction of a carbon price for heating fuels:</b> The Polish Minister for Climate and Environment, Anna Moskwa, is sounding the alarm over plans to extend the EU Emissions Trading Scheme (ETS) to heating and transport fuels. The Minister recalled that Europe is going through a period of crisis characterised by historic energy prices, with <i>"the very likely consequence that this will lead to an increase in energy poverty"</i> in the European Union. <i>"We cannot allow this to happen"</i>, she warned, <i>"we want our citizens to be warm and safe in winter, and this is not an issue on which there can be a compromise during the trilogues"</i>. <i>"A warm house in winter should not be a commodity, but a citizen's right,"</i> she insists (<a href="#">Euractiv</a>).</li> </ul> <p><b>February 2023</b> In December 2022, Poland decided to introduce a €43 per megawatt-hour (MWh) cap for consumers - excluding businesses - to better protect them from rising energy prices, according to a law signed by President Andrzej Duda on 21 December (<a href="#">Euractiv</a>).</p> <p>In January 2023, due to the entry into force of the Act on Special Solutions for the Protection of Electricity Consumers and the implementation of measures under the Solidarity Shield, from 1 January 2023 energy prices will be frozen at the level of 2022 for households whose electricity consumption does not exceed the assumed limits or if the household has the right to use the increased limits (<a href="#">Statistics Poland</a>)</p>
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	Portugal	
Economic conditions	General	Construction
	<p><b>February 2023</b> The IMF projects a GDP of 0.7% in 2023, while inflation will be 4.7% (<a href="#">IMF</a>).</p>	<p><b>February 2023</b> After an estimated 3.4% increase in construction output in 2022, the forecast shows growth in activity, anticipating a real</p>

	<p><b>March 2023</b>  Inflation was 8.65% in January 2023, while GDP was 3.1% (INE).</p>	<p>increase in the gross value of construction output in 2023 of between 2.4% and 4.4%, with a range corresponding to a mid-point of 3.4%.</p> <p>In the housing segment, there is a positive development of the main indicators in 2022 compared to the same period in the previous year. Thus, the forecast for 2023 indicates a growth rate of between 1.5% and 4.5%, which corresponds to a mid-point of 3.0%, in this segment, after the 3.7% increase estimated for 2022.</p> <p>For the non-residential building segment, slight growth is expected in 2023, between 0.2% and 1.2%, following a scenario of modest production growth in both the private and public sectors.</p> <p>The civil engineering segment is expected to remain dynamic in 2023, with annual growth of between 4% and 6% in gross output value, due to planned investments in the RRP and Portugal 2020, which is at the end of its cycle.</p> <p>Thus, it is expected that in 2023, in line with the European Commission's forecasts for the evolution of investment in construction, the construction sector will continue to make an important contribution to the evolution of the national economy, with total output, in real terms, in the middle of the forecast range, increasing by 3.4% and amounting, in value terms, to 21,782.5 million euros (FEPICOP).</p> <p><b>March 2023</b>  The recently published INE flash estimate confirmed a 6.7% increase in GDP in 2022, the highest since 1987, after the 5.5% increase in 2021, which followed the historic 8.3% decline in 2020. In the construction sector, the general indicators have also developed favourably in 2022. Domestic cement consumption increased by 1.5% year-on-year.</p>
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		<p>Regarding the licensing by municipal councils, which is an indicator of future activity in the building construction segment, and according to the information available until the end of November 2022, there is a growth in the licensed area of 3.4% in residential buildings and 10.3% in non-residential buildings. In the public works market, in 2022, public works tenders were opened for an amount of approximately EUR 3.8 billion, which translates into a slight reduction of 3% compared to 2021. In terms of the total amount of public works contracts, there is a reduction of 28.8% in terms of variation over time from one year to the next (<a href="#">FEPICOP</a>).</p> <p>The construction output index rose by 0.5% in December 2023 year-on-year, a decrease of 0.1 percentage points compared to November 2022. The annual rates of change in construction employment and wages are 2.1% and 5.0% respectively (1.9% and 3.3% the previous month). In 2022, construction output increased by 2.0% (3.0% in 2021). Employment and wages and salaries showed annual rates of change of 2.0% and 6.1%, respectively (1.8% and 7.4% the previous year)(<a href="#">INE</a>).</p>
<b>Raw Materials &amp; Energy</b>	<b>Procurement</b>	<b>Awards</b>
	<p>In 2019, fossil fuels accounted for 76% of Portugal's primary energy consumption (43% for oil). Given its limited fossil fuel resources, the country depended on imports for 74.2% of its energy supply in 2019, one of the highest rates in the OECD, which the country aims to reduce to 65% by 2030 (and to less than 19% by 2050). Portugal has already reduced its energy dependence by developing renewable energy on its territory, especially for electricity production, the IEA points out. Renewable energies account for more than half of Portugal's</p>	<p>Portugal has experienced a significant increase in the price of building materials since the beginning of 2021. Information on the price of building materials is only available until December 2021 and is provided by a Price Review Commission.</p> <p>The largest increase is for PVC pipes (+71% increase in the year 2021), wood-based materials (+65%), bitumen (+65%). Steel, on the other hand, increased by 40%.</p>

	<p>electricity production (54% in 2019, mainly thanks to wind and hydroelectricity). (<a href="#">Energy Knowledge, July 2021</a>).</p> <p>In 2020, according to Eurostat, 5% of Portugal's imported energy came from Russia (of which 9.6% was natural gas and 6% oil). This makes Portugal the fourth least dependent on Russia for energy among the 27 Member States (<a href="#">Portugal News, March 2022</a>).</p>	<p><b>February 2023</b></p> <p>In November 2022, it is estimated that the costs of building new dwellings increased by 11.7% year-on-year, or 0.6 percentage points compared to the previous month. Material prices and labour costs showed annual variations of 15.4% and 6.7% respectively (<a href="#">Statistics Portugal</a>).</p> <p><b>March 2023</b></p> <p>The industrial producer price index decelerated for the seventh consecutive month, reaching a year-on-year rate of change of 9.9% in January 2023, after having reached 25.5% in June 2022. The observed slowdown is due to lower growth in prices of Intermediate Goods. Prices in industry recorded a growth rate of 11.6% (12.9% the previous month). The monthly rate of change of the total index was -0.3% (0.3% in January 2022)(<a href="#">INE</a>).</p> <p>In December 2022, construction costs for new residential buildings are estimated to have risen by 11.5% year-on-year, 0.1 percentage points higher than in the previous month. Material prices and labour costs rose by 15.3% and 6.1%, respectively.</p> <p>In 2022, the construction costs of new residential buildings presented an average rate of 11.9%, 6.2 percentage points higher than in 2021 (<a href="#">INE</a>).</p>
Measures adopted by public services	<p><b>September 2022</b></p> <p>In Portugal there is a compulsory price revision regime for public works contracts. However, this revision does not cover all price increases. In addition, there is a time lag between the publication of indices and the execution of works, which causes cash flow problems.</p> <p>In the private sector, price revision is not mandatory and most contracts do not provide for it. This is very burdensome for companies, which must negotiate the modification of the contract on the basis of unforeseen circumstances or opt for the termination of the contract.</p>	

General measures :

- Tariff Shield for electricity and gas;
- Aid of 10 cents per litre of fuel - limit of 50 litres per month;
- Extension, until 31 December 2026 of the measure that allows goods and passenger transport companies to deduct an amount equivalent to 120% of the expenses incurred for the acquisition, on Portuguese territory, of fuel for vehicles;
- Support for public road passenger transport (taxis and buses) with 10 cents per liter of fuel, up to 380 liters per month for taxis and 2,100 liters per month for buses ([Portugal News, 2021](#)).

**October 2022**

In October, the government published its 2023 budget with multiple income improvement measures. The social assistance index (IAS) was updated by 8%, reaching a value of 478.7 euros. This index is the reference value for the calculation and determination of various social benefits, such as family allowances, social inclusion benefit, social insertion income, among others, which can have an impact on the lives of 1.6 million beneficiaries. The budgeted cost is EUR 155 million. The government has also increased the income tax brackets for the benefit of about 4 million people and at a cost of half a billion.

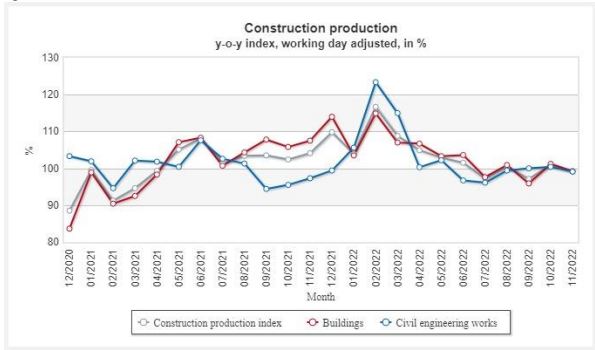
In addition to strengthening household incomes, the state budget includes a package of measures that respond to rising fuel and other commodity prices. In total, the impact of measures to mitigate rising prices and interest exceeds EUR 2.6 billion in 2023. Support for fuel costs in agriculture is foreseen at 40 million, while the reduction of VAT on electricity (to 6%) is 90 million. The budget also provides for the return of customers currently on the unregulated natural gas market to the regulated market. If all consumers eligible to return to the regulated market actually do so, the cost is estimated at Maintaining the price of public transport season tickets will cost 66 million. In 2023, the ISP tax (carbon footprint tax) is extraordinarily suspended.

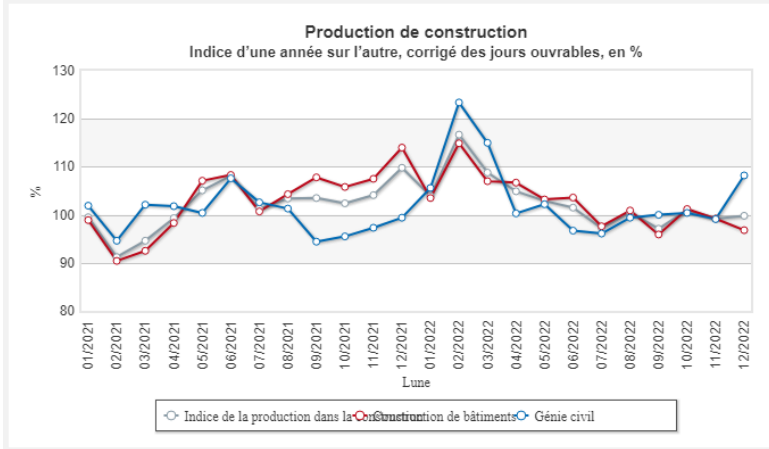
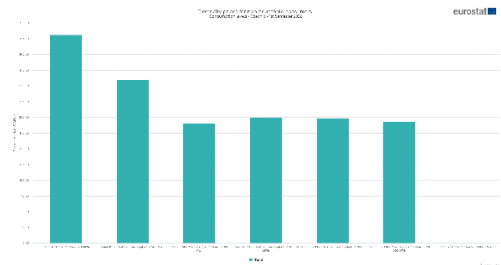
Finance minister Fernando Medina said Portugal will start taxing windfall profits of oil and gas companies, in line with the recent European Union ruling, and will apply a 28% tax on the profits of crypto-currencies held for less than a year ([Bruegel](#)).

**November 2022**

On 22 September 2022, the government published its 2022-2023 Energy Saving Plan, which includes separate reduction measures for energy, water efficiency and mobility, and covers the public, central and local, and private sectors, including industry, commerce, and services, as well as citizens. Measures include: limiting the temperature of indoor air-conditioning units to 18°C in winter and 25°C in summer; closing the street entrance when the air-conditioning system is on; keeping doors

	and windows closed; promoting local electricity production from renewable energy sources; increasing water use efficiency; etc ( <a href="#">Bruegel</a> ).
<b>Positioning of the Federation</b>	<p>The Portuguese government has not yet taken specific measures for construction, although construction associations have submitted proposals:</p> <ul style="list-style-type: none"> <li>- Price review clause in public and private contracts;</li> <li>- Extension of deadlines and non-application of penalties for contractors who fail to meet deadlines due to delays in the delivery of materials;</li> <li>- Clear guidance to public entities so that they can compensate companies when the price revision formula does not compensate for the additional cost incurred.</li> </ul>

	Czech Republic	
Economic conditions	General	Construction
	<p><b>February 2023</b></p> <p>In the fourth quarter of 2022, consumer prices remained unchanged compared to the third quarter of 2022. Consumer prices rose 15.7% in the fourth quarter of 2022, year-on-year, 1.9 percentage points less than in the third quarter of 2022 (<a href="#">Statistics Czech Republic</a>).</p> <p>The fall in prices, mainly in the transport sector, was offset by price growth, particularly in the sectors of housing, water, electricity, gas and other fuels, recreation and culture, and food and non-alcoholic beverages. The average inflation rate for 2022 was 15.1%.</p> <p><b>March 2023</b></p> <p>Inflation was 15.7% in January 2023 (<a href="#">Statistics Czech Republic</a>).</p>	<p><b>February 2023</b></p>  <p><b>March 2023</b></p> <p>Year-on-year decline in construction output in %, December 2022 : -0.2% (<a href="#">Statistics Czech Republic</a>).</p>

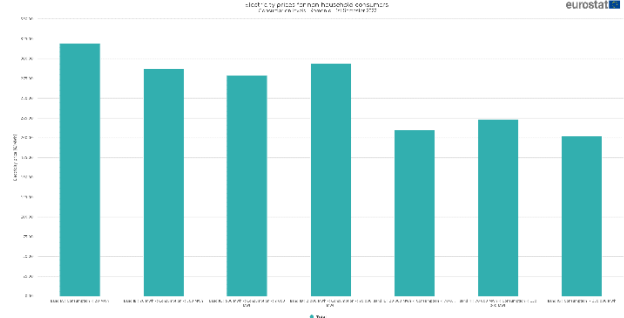
	<p>According to Eurostat data, the Czech Republic, with a population of 10.5 million, is the EU Member State with the highest number of Ukrainian refugees with temporary protection status in proportion to its population. At the end of last year, there were more than 3.5 million Ukrainian refugees with temporary protection status in the EU. Half were in Germany and Poland, about a quarter each, followed by the Czech Republic, which hosted 11% of refugees (<a href="#">Euractiv</a>).</p>	
Raw materials & Energy	<p><b>Procurement</b></p> <p><b>February 2023</b></p> <p>The Czech Republic, which is currently exempt from the EU embargo on Russian oil imports, will end its current dependence on fossil fuels imported from Russia in 2024, said Trade and Industry Minister Jozef Síkela.</p> <p>The Czech Republic, still heavily dependent on Russian oil, is exempt from the EU embargo on Russian fossil fuel imports, which was approved in May and is due to come into force on Monday (5 December), so that EU countries have time to adjust and find alternative sources of oil.</p> <p>"If we manage to conclude the contracts with Algeria, Norway and Qatar, complete the interconnections we need, such as the TAL [pipeline], as well as other new terminals, so that we get a certain mix in terms of energy security, I think that the problem of fossil fuel supply from Russia will be definitely solved in 2024," Síkela told Czech TV (<a href="#">Euractiv</a>).</p>	<p><b>Price / Cost</b></p> <p><b>October 2022</b></p> <p>Electricity prices for consumers (excluding households) according to their consumption, in the first half of 2022 (<a href="#">Eurostat</a>).</p> 

<b>Measures adopted by public services</b>	<p><b>September 2022</b></p> <p>The Czech government has adopted several measures to help Ukrainian citizens already living in the Czech Republic or fleeing to the country. These include a plan to prepare for the migration wave and a proposed law to facilitate the reception of refugees and their integration into Czech society. The Ministry of Finance has examined Russian companies and companies with Russian capital about the use of pension funds.</p> <p>On 30 March, the government discussed a comprehensive analysis of specific sanctions beyond the international framework that the Czech Republic could impose on the Russian Federation and Russian companies. It focuses mainly on the access of Russian and Belarusian owned entities to state aid, public procurement and investment incentives in the Czech Republic, but also raises the possibility of a national sanctions list, which would allow for the imposition of sanctions on individuals not on the EU sanctions list and possibly expropriation of their property (FIEC, September 2022).</p> <p><b>October 2022</b></p> <p>On 27 September 2022, the government approved the new budget bill which allocates CZK 100 billion (€4 billion) to cap the price of electricity and gas. For households, prices are capped at CZK 6 (€0.24) per KWh of electricity (corresponding to €200/MWh) and CZK 3 (€0.12) for gas, and the changes are expected to be implemented from the November instalment payments.</p> <p>On 6 October 2022, the government proposed a one-off tax of 60% on energy companies and large banks active in the production, distribution and trade of electricity and gas, as well as in the extraction of fossil fuels, oil processing and wholesale of fuels for the years 2023-2025 (<a href="#">Bruegel</a>).</p> <p><b>November 2022</b></p> <p>The government has published a handbook on how to save energy during the coming winter. To encourage households to better control their consumption, it encourages them to apply for energy management grants. It also sets temperature limits in private and public buildings (e.g. the government has reduced the temperature in offices by 1.5 degrees and has also decided to lower the minimum temperature in working environments by at least two degrees)(<a href="#">Bruegel</a>).</p> <p>The government's medium-term approaches are aimed at renovating buildings (e.g. insulation of the shell, replacement of windows, installation of modern heating) using funds from the National Recovery Plan and the Environmental Framework. So far, 40 million euros have been allocated to this programme. Heat pumps are partially subsidised by the state. A new national energy saving plan provides for a higher subsidy for people who insulate their homes and at the same time replace the obsolete heating system with a modern one or improve rainwater management. The government has approved an amendment that will simplify the authorisation procedure for small-scale renewable sources (<a href="#">Bruegel</a>).</p>
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<b>Positioning of the Federation</b>	<p><b>September 2022</b> Questionnaire distributed in March 2022 to construction companies on supply chain disruptions since the start of the war in Ukraine;</p> <p>The Building Contractors Association organised a roundtable in September 2022 on the raw materials crisis in construction, a growing threat to the domestic industry (<a href="#">SPS, September 2022</a>).</p> <p>Representatives of energy-intensive industries (including construction) have sent an open letter to the Prime Minister of the Czech Republic asking him to take urgent action against extreme energy prices and to support Czech industry as much as possible in the European Union, through 6 specific measures - including a cap on electricity and gas prices, an incentive to reduce household consumption, a support scheme for small and medium-sized enterprises...(SPS, <a href="#">August 2022</a>).</p>
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	Romania	
Economic conditions	General	Construction
	<p><b>February 2023</b> The IMF expects the Czech Republic's GDP to be 1.5% in 2023, while inflation will be 8.6% (<a href="#">IMF</a>).</p> <p><b>March 2023</b> In January 2023, monthly inflation was 0.3%. While GDP in the third quarter of 2022 was 5.2% (<a href="#">Statistics Romania</a>).</p> <p>Romania has taken in 109,871 Ukrainian refugees since the start of the war, out of 8 million refugees (<a href="#">Euronews</a>).</p>	<p><b>February 2023</b> According to the January 2023 estimates, there will be a moderate decline in the volume of construction activity over the next three months (-9%). Business leaders expect a moderate decline in the number of employees (-7%). As for the prices of construction works, a growth is expected (+39%)(<a href="#">Statistics oRomania</a>).</p> <p><b>March 2023</b> In December 2022, the volume of construction work increased by 14.2% compared with November 2022 and decreased by 0.3% in a working-day and seasonally adjusted series. In December 2022, the volume of construction work increased by 15.1% compared to December 2021 and by 19.1% in a series adjusted for the number of working days and seasonality (<a href="#">Statistics Romania</a>).</p>

Raw materials & Energy	<b>Procurement</b>  In recent years, Romania has become increasingly dependent on Russia for its energy needs. <ul style="list-style-type: none"><li>• By 2021, Romania depended on imports for 30% of its gas, of which over 80% came from Russia.</li><li>• Around two-thirds of the oil refined in Romania is imported, half of which comes from Russia (<a href="#">Euractiv, March 2022</a>).</li></ul> <b>November 2022</b> The government reversed its decision to bring forward the date for the complete phase-out of coal (initially planned for 2032, then 2030 before the latest reversal) by proposing to postpone the closure of the Rovinari 3 and Turceni 7 coal-fired power plants, which are scheduled to be decommissioned by 31 December 2022.	<b>Prices / Costs</b>  <b>October 2022</b> Electricity prices for consumers (excluding households) according to their consumption in the first half of 2022 ( <a href="#">Eurostat</a> ).  <table><caption>Electricity prices for non-household consumers (EUR/MWh)</caption><thead><tr><th>Consumption Category</th><th>Price (EUR/MWh)</th></tr></thead><tbody><tr><td>Industrial</td><td>~175</td></tr><tr><td>Commercial</td><td>~155</td></tr><tr><td>Public administration</td><td>~150</td></tr><tr><td>Transport</td><td>~170</td></tr><tr><td>Residential</td><td>~105</td></tr></tbody></table>	Consumption Category	Price (EUR/MWh)	Industrial	~175	Commercial	~155	Public administration	~150	Transport	~170	Residential	~105
	Consumption Category	Price (EUR/MWh)												
Industrial	~175													
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Measures adopted by public services	<b>September 2022</b>  1) On 14 April 2022, the government approved an ordinance on price adjustment of government contracts. <ul style="list-style-type: none"><li>⇒ Implementation of price adjustment rules for contracts without a review clause;</li><li>⇒ In the case where the formulas for revising the contract price are based on a statistical index (total construction cost index published by the National Institute of Statistics) whose reference date is the date of the signed contract, the reference date of the index is modified by Emergency Ordinance No. 47, by the date of submission of the tender for the invitation to tender (provided that the period between the time when the tenderer submits the tender and the date when the contract is actually signed may be up to 2 years);</li><li>⇒ Advances and profits are not subject to price revision.</li></ul> 2) Ceiling for the price of energy and natural gas, for the period 01.02-31.03.2022.  <b>October 2022</b> On 1 September, the Romanian government announced that it would maintain its energy price cap until the end of August 2023, with some minor modifications. For a full and detailed list, please click <a href="#">here</a> .													

	<p>On 9 September, the Commission approved the previously announced scheme to support companies of all sizes and sectors. The approved state aid amounts to €4 billion. As regards the limited amounts of aid in the form of direct grants, the aid will not exceed €62,000 and €75,000 per undertaking active in the agriculture, fisheries, and aquaculture sectors respectively, and €500,000 per undertaking active in all other sectors. Aid under the scheme will be granted no later than 31 December 2022.</p> <p>Bloomberg reports that the country has set up an energy assistance program that compensates energy suppliers 1,300 lei (€264) per megawatt-hour, but this may not be enough to help utilities during the coming winter (<a href="#">Bruegel</a>).</p> <p><b>November 2022</b> The government has amended the Energy Efficiency Act to facilitate investment in projects to increase the energy performance of buildings with EU subsidies as a financial guarantee; and to promote the installation of smart meters; improving household access to energy consumption data (<a href="#">Bruegel</a>).</p>
<b>Positioning of the Federation</b>	

	<b>Slovakia</b>	
<b>Commercial conditions</b>	<b>General</b>	<b>Construction</b>
	<p><b>February 2023</b> According to IMF projections, in 2023 Slovak GDP will be 1.5% while annual inflation will be 10.1% (a slowdown compared to 2022)(<a href="#">IMF</a>).</p> <p><b>March 2023</b> Harmonized annual inflation rose slightly in January to 15.1%.</p>	<p><b>February 2023</b> In November 2022, construction performance declined year-on-year for the second consecutive month. It was mainly affected by a decline in non-domestic output, the highest so far in 2022. Domestic output is also in negative figures, due to a decline in other construction work.</p> <p>Construction output fell by 3.2% year-on-year. On a monthly basis, construction was 2% lower than in the previous month.</p> <p>New construction increased by 2.2%, repairs and maintenance by 1.3%. Despite this, its decline was influenced by a significant drop in</p>

The average annual inflation rate in January 2023 reached a value of 12.7%. This is 9.3 percentage points higher than its value in January last year.

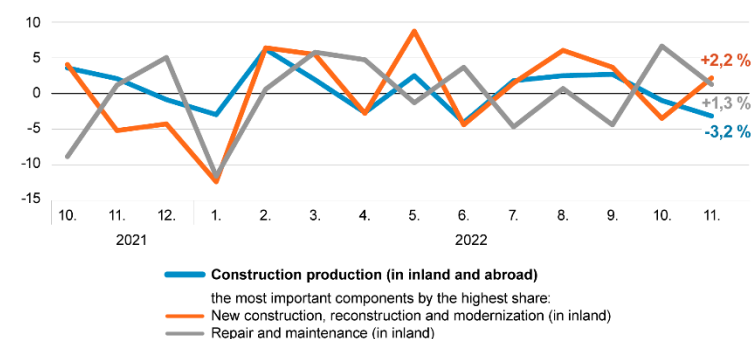
In January 2023, the harmonized consumer price indices increased by 2.8% month-on-month in total. The month-on-month rise in the price level was most affected by the increase in prices in the housing, water, electricity, gas and other fuels division: the positive contribution of the whole division accounted for more than one third of the total month-on-month inflation (+1.14 percentage points)([Statistics Slovakia](#)).

As a reminder, the growth of housing and energy prices reached 14.4% in January 2023, due to adjustments of regulated prices of network industries. Gas was more expensive than in January of the previous year by 11.9%, electricity by 2.5%, thermal energy by 22.4%. Prices for water supply, sewage disposal, rubbish collection and housing maintenance and repair also rose by double digits ([Statistics Slovakia](#)).

other construction work, by almost half (other construction work includes geological exploration, ground clearing or demolition in places where construction will not be continued)([Statistics Slovakia](#)).

### Construction production

(at constant prices, year-on-year %)



Construction turnover decreased compared to October 2022 and also decreased year-on-year in November 2022, by 1.4% ([Statistics Slovakia](#)).

### March 2023

Although construction output in 2022 increased by almost €1 billion, due to inflation, it only rose by 0.1% in constant prices. Both new construction and repair and maintenance work maintained approximately the same annual performance.

Construction output for the year 2022 reached a volume of 6.4 billion euros. 950 million, but under the influence of record inflation, the increase after conversion into constant prices was only

		<p>0.1%. The production of new buildings with renewals (by 1.1%) as well as repairs and maintenance (by 0.7%) increased very slightly. Year-on-year production, broken down by type of construction, also remained at approximately the same level. Both building construction and engineering production produced the same values as in 2021.</p> <p>The work carried out abroad in the summary of the year reached a share of 10% of the total production of Slovak construction companies, their volume increased by almost 2% year-on-year (<a href="#">Statistics Slovakia</a>).</p>
Raw materials & Energy	Procurement	Prices / Costs
	<p><b>November 2022</b></p> <p>On 25 August 2022, the Slovak Nuclear Regulatory Authority issued the final authorization for the commissioning of unit 3 of the Mochovce nuclear power plant. The power company Slovenske Elektrarne has completed the fuel loading and the plant is expected to be operational from the end of 2022. The new unit will produce about 3.7 TWh per year, covering 13% of Slovakia's electricity consumption (<a href="#">Bruegel</a>).</p> <p><b>December 2022</b></p> <p>The EU oil embargo bans Russian oil imports by sea, but Slovakia, as well as Hungary and the Czech Republic, are exempt and can continue to buy Russian crude oil until the end of 2023 via the Druzhba pipeline.</p> <p>The only danger at the moment is damage to infrastructure, Hirman said, adding that "if anything, it is Russia's attacks on Ukrainian territory." Meanwhile, power outages on Ukrainian territory have already caused several supply disruptions in recent weeks.</p>	<p><b>February 2023</b></p> <p>In December 2022, construction prices rose by 20.9% year-on-year, while for the whole of 2022, construction prices rose by 18.3%. Prices for building materials increased by 13.3% year-on-year, but decreased slightly compared to November 2022. In total, year-to-date growth has reached 22.9% (<a href="#">Statistics Slovakia</a>).</p> <p><b>March 2023</b></p> <p>The annual growth of producer prices in industry for the domestic market remained above 30% even in the first month of 2023. In construction, output prices for construction slowed down their growth rate, but materials increased again to 15%.</p> <p>Industrial producer prices for the domestic market rose by 33.6% year-on-year in January 2023 and by 8.6% month-on-month. As in previous months, the development was mainly influenced by the price increase in electricity and gas supply by almost 66% year-on-year. Other important sectors in the structure of Slovak industry also experienced dynamic price increases - in the manufacture of transport equipment, producer prices rose by 12% year-on-year,</p>

	<p>In case of disruptions, oil imports will be channeled to the Slovak Slovnaft refinery via Croatia and Hungary. However, switching suppliers and changing to a different type of crude oil will require time and adjustments to processing technology - an argument put forward by the non-embargoed countries during the negotiations (<a href="#">Euractiv</a>).</p> <p>In December 2022, 43.7% of Slovakia's energy was imported (<a href="#">Statistics Slovakia</a>).</p>	<p>and in the manufacture of rubber and plastics by almost 20% (<a href="#">Statistics Slovakia</a>).</p> <div><div><div><div><div><div></div><div></div></div><div><div><div></div></div></div><div><div><div></div></div></div><div><div><div></div></div></div><div><div><div></div></div></div><div><div><div></div></div></div></div><div>STATISTICAL OFFICE OF THE SLOVAK REPUBLIC</div></div><div><div><div><div><div><div></div><div></div></div><div><div><div></div></div></div><div><div><div></div></div></div><div><div><div></div></div></div><div><div><div></div></div></div><div><div><div></div></div></div></div><div>Change of prices in production area (year-on-year in %)</div></div><table><tr><td>agricultural products</td><td>industrial domestic producers</td><td>industrial non-domestic producers</td><td>construction works</td><td>construction materials</td></tr><tr><td>-0,7%</td><td>-0,3%</td><td>-1,7%</td><td>-1,8%</td><td>-1,5%</td></tr><tr><td>+15,7%</td><td>+23,8%</td><td>+19,2%</td><td>+15,0%</td><td>+23,4%</td></tr><tr><td>+34,4%</td><td>+33,6%</td><td>+13,4%</td><td>+18,6%</td><td>+15,0%</td></tr></table><div><div>January 2021</div><div>January 2022</div><div>January 2023</div></div></div></div></div></div>	agricultural products	industrial domestic producers	industrial non-domestic producers	construction works	construction materials	-0,7%	-0,3%	-1,7%	-1,8%	-1,5%	+15,7%	+23,8%	+19,2%	+15,0%	+23,4%	+34,4%	+33,6%	+13,4%	+18,6%	+15,0%
agricultural products	industrial domestic producers	industrial non-domestic producers	construction works	construction materials																		
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Measures adopted by public services	<p><b>September 2022</b></p> <ul style="list-style-type: none"><li>• A price cap has been negotiated with the electricity and gas suppliers, which is active until 2024;</li><li>• A household support package has been put in place (tax reduction, increased child support) (<a href="#">OECD, June 2022</a>).</li><li>• The government has issued guidance (binding only on public procurement) on taking account of rising material costs in construction, including on current contracts. This allows for a review of the production cost for the builder and the actual purchase cost (<a href="#">Department for Transport and Construction, August 2022</a>).</li></ul> <p><b>October 2022</b></p> <ul style="list-style-type: none"><li>• On 14 September, the Minister of Labour, Social Affairs and Family, Milan Krajniak, said that the government would soon adopt laws that would cap the prices of electricity, gas and heating.</li><li>• On 19 October, the Prime Minister - Eduard Heger - threatened to stop electricity exports to neighbouring countries (even if the electricity had already been purchased by foreign companies) if a decision on price caps was not taken at European level (<a href="#">Bruegel</a>).</li></ul> <p><b>November 2022</b></p>																					

	<ul style="list-style-type: none"> <li>• The government has launched an <u>awareness-raising campaign</u> to inform citizens on how to save energy (<u>Bruegel</u>).</li> <li>• The government has announced a program to subsidise households wishing to install heat pumps and has allocated EUR 15 million for this purpose. 500 million from the EU recovery plan) from September 2022 (<u>Bruegel</u>).</li> </ul>
<b>Positioning of the Federation</b>	<p><b>September 2022</b> The Slovak Construction Association cooperated with the Ministry of Transport and Construction on the construction price reform implemented by the government (indexation formula).</p> <p><b>October 2022</b> The Association of Trade Unions in Industry and Transport (APZD) has called on the government to immediately and quickly implement a plan to help Slovak industrial companies at the end of September. According to the association, the current situation on the energy market is so serious today that the Slovak government should urgently present its own plan to help the industry and vulnerable groups of the population.</p> <p><b>February 2023</b> <b>Price increases and shortages:</b> "It affected both national and international markets. It is a huge price increase, which was also associated with a shortage of certain materials. Even now, we are seeing an increase in the prices of building materials of 20% to 150% compared to the price level of 2020," Pavol Kováčik, President of the professional organisation of builders, told SITA. Therefore, last year the ZSPS prepared draft methodological guidelines to deal with the rising price of construction materials in transport and civil engineering works. At present, together with the Ministry of Transport of the Slovak Republic, they are solving the practical issues of implementation of the methodological instruction on completed constructions, because since its publication last September until today, it has not been applied as widely as expected (<u>ZSPS</u>).</p>

	Slovenia	
Economic conditions	General	Construction
	<p><b>February 2023</b> According to IMF projections, in 2023 Slovenian GDP will be 1.7% while annual inflation will be 5.1% (<u>IMF</u>).</p>	<p><b>February 2023</b> The confidence indicator fell in retail trade, construction, and services. The average in 2022 was higher than in the previous</p>

	<p><b>March 2023</b></p> <p>In one year, the prices of goods rose by an average of 10% and those of services by 7.8%.</p> <p>In one year, electricity prices fell by 9% and dampened inflation by 0.4 percentage points.</p> <p>Prices in the group 'housing, water, electricity, gas and other fuels' rose by 9.9% between February 2022 and February 2023 (<a href="#">Statistics Slovenia</a>).</p>	<p>year in retail trade, services, and construction, and lower in manufacturing.</p> <p>The confidence indicator was 4 percentage points (p.p.) lower than in the previous month and 8 p.p. lower than in January 2022, but 28 p.p. above the long-term average. The confidence indicator fell due to the deterioration in employment expectations by 10 p.p., while overall order books improved by 2 p.p. The average confidence indicator for 2022 was 22 p.p., 4 p.p. higher than in 2021.</p> <p>Most construction companies reported that the high cost of materials was the main factor limiting their activities (55% of companies, 1 p.p. more than in January 2022). This is followed by a shortage of skilled labour (49%, 6 p.p. more) and high labour costs (40%, 10 p.p. more)(<a href="#">Statistics Slovenia</a>).</p> <p>In 2022, 6% fewer building permits were issued than in 2021. For residential buildings, 5% more building permits were issued and for non-residential buildings, 15% less. The floor area of buildings for which building permits were issued in 2022 was 8% higher than in 2021. The planned floor area of residential buildings was 11% larger and that of non-residential buildings 4% larger.</p> <p>With the building permits issued in 2022, almost 4,800 new dwellings were planned, 11% more than in 2021. In buildings with one dwelling, 3% more dwellings were planned and in buildings with two or more dwellings, 23% more. The planned floor area of the dwellings was 6% higher than in 2021. In single-dwelling buildings, the average floor area of dwellings was 168 m<sup>2</sup> (in 2021 170 m<sup>2</sup>) and in buildings with</p>
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		<p>two or more dwellings 84 m2 (in 2021 89 m2)(<a href="#">Statistics Slovenia</a>).</p> <p><b>March 2023</b>  The value of construction increased compared to the previous month of January 2023, by 10.6%. It increased by 0.5% for building, 10.3% for civil engineering and 12.7% for specialised construction activities.  On an annual basis, the value of construction increased by 74.5%. It increased by 131.9% for buildings, by 39.6% for civil engineering and by 14.9% for specialised construction activities.  The value of construction in 2022 increased by 33.9% compared to the same period of the previous year. It increased by 83.8% for buildings, by 12.1% for civil engineering and by 13.1% for specialised construction activities (<a href="#">Statistics Slovenia</a>).</p>
Raw materials & Energy	<b>Procurement</b>	<b>Prices / Costs</b>
	<p>18% of Slovenia's energy consumption comes from Russia: 13% of its oil and 100% of its gas were Russian. Since the beginning of the war, Slovenia has diversified its energy supplies, relying in particular on liquid gas (<a href="#">OECD, June 2022</a>).</p> <p><b>March 2023</b>  In January 2023, total net electricity generation was 1,214 GWh. Compared to December, it increased by 2%, and compared to January 2022, it decreased by 1%. The production of hydro power plants increased by 26%, that of thermal power plants by 36% and that of the nuclear power plant by 2%.  In parallel with the drop in production in thermal power plants, fuel consumption also decreased. Total fuel</p>	<p><b>December 2022</b>  The average price of natural gas for domestic consumers in Slovenia in the third quarter of 2022 increased by 22% compared to the second quarter of 2022 and amounted to EUR 0.094/kWh. In the same period, the average price of natural gas without value added tax for non-residential consumers increased by 19% and amounted to EUR 0.075/kWh.  In the third quarter of 2022, the average electricity price for domestic consumers increased by 31% compared to the previous quarter and amounted to 0.205 EUR/kWh. During this period, the average electricity price for non-residential consumers increased by 25% and was 0.204 EUR/kWh (<a href="#">Statistics Slovakia</a>).</p>

	<p>consumption decreased by 33% compared to the previous year.</p> <p>964 GWh of electricity was imported and 866 GWh was exported. Compared to January 2022, imports increased by 18% and exports by 27% (<a href="#">Statistics Slovenia</a>).</p>	
Measures adopted by public services	<p><b>September 2022</b></p> <p>The Slovenian government confirmed at the end of January 2022 the introduction of an energy voucher system and other measures to mitigate rising energy prices. Prepared by the Ministry of Infrastructure, these measures were in force until April 2022 and targeted the most vulnerable groups, businesses and farmers, in the form of energy vouchers, reduced grid charges for electricity and lower excise duties on heating oil and petrol (EUR 200 million)(<a href="#">Treasury, 2022</a>).</p> <p><b>October 2022</b></p> <p>The government has introduced support measures for medium and large companies between 1 June and 31 December 2022, by co-financing the costs of electricity and natural gas beyond a twofold increase in their prices. The amount of aid depends on the evolution of the company's tariff situation in 2021 and 2022. Small and medium-sized enterprises can receive aid of up to 50% of eligible costs and large enterprises up to 30% of eligible costs. When they prove a loss of business, energy-intensive companies will be able to claim up to 70% of eligible costs; the maximum amount of aid is €2 million. The government has also earmarked €6 million for favourable cash-flow facilities for small and medium-sized enterprises affected by the crisis. The total value of the business measures is estimated at EUR 86 million.</p> <p>The government has announced that it will pay a new one-off energy allowance of €200 (the amount of the allowance increasing with the number of children in a household). The allowance will be paid to individuals or families receiving financial assistance or income support in the period between 1 August 2022 and 31 March 2023. The allowance will be received by approximately 71,000 individuals and families. The cost of the measure is estimated at EUR 35 million (<a href="#">Bruegel</a>).</p> <p><b>November 2022</b></p> <p>In September 2022, the government approved a law with measures for an energy crisis that allows it to impose limitations on lighting and air temperature for heating purposes in public buildings for up to one year after the expiry of the emergency declaration. In addition, it introduces rewards for consumers who choose to voluntarily reduce their gas and electricity consumption by 15% between 1 October 2022 and 31 March 2023 through pro-rata refunds of the contribution to renewable energy sources (<a href="#">Bruegel</a>).</p> <p>The Slovenian government has unveiled a draft law that would impose a one-off tax on energy companies in 2022 and 2023 to subsidise renewable energy and fund measures to reduce electricity demand during peak periods. Under the proposal, any</p>	

	<p>revenue above €180 per MWh of electricity produced in Slovenia and sold on the wholesale market would go to the national budget.</p> <p>180 per MWh would be exempted, as would electricity generated from natural gas and small installations with a peak power of less than 500 kW.</p> <p>An exceptional tax would also be imposed on companies producing and processing crude oil and natural gas in Slovenia (<a href="#">Slovenia Times</a>).</p> <p><b>March 2023</b></p> <p>The SPIRIT Agency for Entrepreneurship, Internationalisation, FDI and Technology has received almost 2,000 applications for energy grants from companies seeking a total of EUR 399.5 million. 650 million has been earmarked for this measure. According to the legislation in force, companies have access to five types of aid. These differ in terms of the share of co-financing of eligible costs and the ceiling for subsidies. They can be obtained for electricity, gas and steam, and cover between 40% and 80% of eligible costs.</p> <p>Companies had until midday on 28 February to submit their applications and can still withdraw them until 8 March, SPIRIT said.</p> <p>The first instalment, for the first quarter of this year, must be completed by the end of the month. Between April and December, payments will be made monthly.</p> <p>From next month, companies will be able to benefit from the payment of 80% of one twelfth of the amount granted per month. The remaining 20% will be paid next year, before the end of February 2024.</p> <p>The aid will be provided as part of a package of more than €1 billion adopted by the Parliament in December 2022, which also includes public subsidy schemes for leave and part-time work (<a href="#">SloveniaTimes</a>).</p>
<b>Positioning of the Federation</b>	

	Sweden	
Commercial conditions	General	Construction
	<p><b>February 2023</b></p> <p>Sweden's GDP decreased by 0.5% in December 2022, compared to the previous month. For the fourth quarter, GDP</p>	<p><b>February 2023</b></p> <p>The Construction Cost Index for multi-dwelling buildings increased by 0.4% in December 2022 compared with</p>

	<p>decreased by 0.6% compared to the previous quarter. The results for the last quarter of the year indicate that GDP increased by 2.4% in 2022, compared to the previous year. The 12-month inflation rate was 10.2% in December 2022, compared with 9.5% in November (<a href="#">Statistics Sweden</a>).</p> <p><b>March 2023</b> Annual inflation between January 2022 and January 2023 was 11.7% in Sweden. While in the fourth half of 2022, GDP decreased by 0.4% (<a href="#">Statistics Sweden</a>).</p>	<p>November 2022. The annual rate of change in the Construction Cost Index was 15.6% in December, compared with the corresponding month of 2021, up from 15.2% in November (<a href="#">Statistics Sweden</a>).</p> <p><b>March 2023</b> According to preliminary figures for 2022, 54,850 dwellings were started in new buildings. This represents a 19% decline from 2021, when 67,645 units were started. The construction of 42,850 dwellings in multi-family buildings has been launched in 2021, which represents a decrease of 20% compared to 2021. Of these, 62% are rented, compared to 61% in 2021. The construction of 12,000 dwellings was started in one- and two-family buildings, 14% less than a year earlier. In addition, the conversion of multi-unit buildings has resulted in approximately 2,400 dwellings in 2022, compared to 3,344 dwellings in 2021. The 2022 figures on new construction have been adjusted upwards by 7%, which corresponds to the average delay in reporting from the previous year. The 2022 figures for conversions have been adjusted upwards by 23% (<a href="#">Statistics Norway</a>).</p>
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		<p>Number of started dwellings 2002–2022</p> <table border="1"> <caption>Estimated data for Number of started dwellings 2002–2022</caption> <thead> <tr> <th>Year</th> <th>Multi-dwelling buildings</th> <th>One- or two-dwelling buildings</th> </tr> </thead> <tbody> <tr><td>2002</td><td>12,000</td><td>8,000</td></tr> <tr><td>2004</td><td>18,000</td><td>10,000</td></tr> <tr><td>2006</td><td>32,000</td><td>12,000</td></tr> <tr><td>2008</td><td>15,000</td><td>10,000</td></tr> <tr><td>2010</td><td>18,000</td><td>9,000</td></tr> <tr><td>2012</td><td>15,000</td><td>8,000</td></tr> <tr><td>2014</td><td>25,000</td><td>10,000</td></tr> <tr><td>2016</td><td>48,000</td><td>12,000</td></tr> <tr><td>2018</td><td>42,000</td><td>10,000</td></tr> <tr><td>2020</td><td>52,000</td><td>12,000</td></tr> <tr><td>2022</td><td>40,000</td><td>10,000</td></tr> </tbody> </table>	Year	Multi-dwelling buildings	One- or two-dwelling buildings	2002	12,000	8,000	2004	18,000	10,000	2006	32,000	12,000	2008	15,000	10,000	2010	18,000	9,000	2012	15,000	8,000	2014	25,000	10,000	2016	48,000	12,000	2018	42,000	10,000	2020	52,000	12,000	2022	40,000	10,000
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Raw materials & Energy	<p><b>Procurement</b></p> <p><b>February 2023</b> On 12 January 2023, the Swedish state-owned mining company LKAB declared that it had discovered more than one million tonnes of rare earth oxides in the Kiruna region in the north of the country. This is the largest deposit of its kind ever found in Europe. <i>"Thanks to this mine, the EU's electrification, self-sufficiency and independence from Russia and China will take shape,"</i> said Minister for Energy, Trade and Industry Ebba Busch in the statement (<a href="#">Euractiv</a>).</p>	<p><b>Prices / Costs</b></p> <p><b>February 2023</b> <b>Electricity:</b> The producer price index rose by 2.1% in December compared with November 2022. The export market remained unchanged in December compared to November 2022. Prices increased by 4.2% on the domestic market. On the import market, prices decreased by 1.0%. The annual rate of the producer price index was <b>18.7%</b> in December (19.5% in November). The annual rate of the producer price index was 18.7% in December 2022. Compared to December 2021, prices increased by <b>45.1%</b> for <b>energy-related</b> products. Prices increased by 14.8% for consumer goods and 12.8% for capital goods (<a href="#">Statistics Sweden</a>).</p> <p>Contractors' costs for building materials decreased by 0.9%. The costs of reinforcing steel and iron and steel including reinforcing steel fell the most, by 7.3% and 4.1% respectively. This was offset by the fact that the costs of flooring materials, white goods, other building materials and carpentry increased by 0.3 to 1.2% (<a href="#">Statistics Sweden</a>).</p>																																				

		<p><b>March 2023</b></p> <p>The producer price index decreased by 5.2% in January 2023 compared to December 2022. Prices decreased by 2.3% on the export market and by 7.7% on the domestic market. On the import market, prices decreased by 0.6%. The annual rate according to the producer price index was 11.8% in January (18.7% in December).</p> <p>The largest negative contribution on the domestic market came from the fall in prices of trade services and electricity transmission. This was offset by higher prices for district heating, food, chemicals and chemical products, computer, electronic and optical products, electricity distribution services and several other products.</p> <p>On the export market, the main negative contribution came from lower prices for electricity generation. This was offset by higher prices for pulp, paper and cardboard, electrical equipment, other machinery and equipment, metal products, base metals, motor vehicles, trailers and semi-trailers, and waste collection, treatment and disposal and materials recovery services.</p> <p>The main contribution to the decline in the import market came from lower prices for electricity generation. Prices also fell for basic chemicals, base metals and metal products, natural gas and crude oil. This decline was offset by higher prices for electrical equipment, foodstuffs, other machinery and equipment and several other product groups (<a href="#">Statistics Sweden</a>).</p>
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			Producer Price Index, home sales	Export Price Index	Import Price Index
		Crude oil			-0.1
		Natural gas, liquefied or in gaseous state			-0.1
		Food products	0.3		0.2
		Wood and products of wood and cork, except furniture; articles of straw and plaiting materials			0.1
		Pulp, paper and paperboard		0.2	
		Chemicals and chemical products	0.2	0.1	
		Basic chemicals, fertilisers and nitrogen compounds, plastics and synthetic rubber in primary forms			-0.2
		Other chemical products			0.1
		Plastic products			0.1
		Other non-metallic mineral products	0.1		0.1
		Basic metals	0.1	0.1	-0.2
		Fabricated metal products, except machinery and equipment	0.1	0.2	-0.1
		Computer, electronic and optical products	0.2		0.1
		Electrical equipment	0.1	0.2	0.3
		Machinery and equipment n.e.c.	0.1	0.2	0.2
		Motor vehicles, trailers and semi-trailers		0.1	0.1
		Repair and installation services of machinery and equipment	0.1		
		Generation of electricity		-3.8	-1.2
		Transmission services of electricity	-0.3		
		Distribution services of electricity	0.2		
		Trade services of electricity	-9.6		
		District heating	0.4		
		Natural water, water treatment and supply services	0.1		
		Waste collection, treatment and disposal services; materials recovery services	0.1	0.1	

		<p>The construction cost index for multi-dwelling buildings increased by 2.2% in January 2023 compared with December 2022. The annual rate of change in the construction cost index was 16.3% in January compared with the corresponding month in 2022, compared with 15.6% in December (<a href="#">Statistics Sweden</a>).</p> <table><tr><th></th><th>Index</th><th colspan="2">Change in percent</th></tr><tr><th></th><th>January</th><th>December 2022– January 2023</th><th>January 2022– January 2023</th></tr><tr><td>Contractors' costs (82%)</td><td>138.6</td><td>1.1</td><td>10.7</td></tr><tr><td>Construction clients' costs (18%)</td><td>169.6</td><td>6.7</td><td>43.9</td></tr><tr><td><b>Total Construction cost index (100%)</b></td><td><b>144.1</b></td><td><b>2.2</b></td><td><b>16.3</b></td></tr></table>		Index	Change in percent			January	December 2022– January 2023	January 2022– January 2023	Contractors' costs (82%)	138.6	1.1	10.7	Construction clients' costs (18%)	169.6	6.7	43.9	<b>Total Construction cost index (100%)</b>	<b>144.1</b>	<b>2.2</b>	<b>16.3</b>
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Measures adopted by public services	<p><b>September 2022</b></p> <p>The government has proposed to abolish the energy tax rebate for data centers, to encourage them to use electricity in a more regulated and responsible way (from 1 January 2023)(<a href="#">Treasury, September 2022</a>).</p> <p><b>October 2022</b></p> <p>On 21 March, the government presented a new package of measures to deal with the rising fuel and electricity prices resulting from the invasion of Ukraine. The tax on diesel and petrol will be temporarily reduced from June to October 2022 to the lowest level allowed by EU regulations (€0.17 per litre). The total cost of this measure is estimated at €360 million. A compensation payment of between €96 and €144 has also been approved for car owners. The total cost of this measure is estimated at €380 million. Additional funds will be distributed for the purchase of electric vehicles (up to €6,700 in financial aid). The additional cost is estimated at EUR 370 million. The compensation program described above has also been extended by one month (at an additional cost of '86 million). The housing allowance for families with children has also been temporarily increased from July to December 2022. The additional child allowance will be equivalent to 25% of the preliminary housing allowance and will amount to a maximum of €128 per month. The total cost is estimated at €48 million.</p> <p>On the other hand, the Swedish government has presented proposals with a longer-term vision, and the seat is expected to come into force in 2023. They contain a combination of targeted and non-targeted measures: A simpler travel allowance system, replacing the current system with a tax reduction based entirely on the distance between home and work (regardless of means or travel costs), a frozen greenhouse gas reduction mandate for diesel and petrol for next year until 2022 levels,</p>																					



	and indexation of GDP to diesel and petrol price breaks in 2023. In response to Russia's suspension of gas exports, Sweden has announced that it will provide €23.4 billion to ailing Nordic and Baltic utilities in the form of credit guarantees. The guarantees will be provided by the Swedish National Debt Office and will mainly go to Swedish companies ( <a href="#">Bruegel</a> ).
<b>Positioning of the Federation</b>	The Swedish Construction Federation shared an open letter with its members' clients to request agreement for additional time and cost control due to inflation and shortages ( <a href="#">BYGGFÖRETAGEN, 2022</a> ).

	Norway																														
Economic conditions	General	Construction																													
	<b>February 2023</b> According to IMF projections, GDP growth will be 2.6% in 2023, while annual inflation will be 3.8% (IMF).	<b>February 2023</b> Here are the latest trends in the Norwegian construction sector:																													
		<ul style="list-style-type: none"><li>• Evolution of the number of authorisations for housing starts: +6.8%.</li><li>• Change in road construction costs compared to the same quarter of the previous year: +12.3%.</li><li>• Change in construction output index: 0.3% (Q4 2022)(Statistics Norway).</li></ul>																													
	<b>March 2023</b> In 2022, GDP was 3.3% (3.9% in 2021)(Statistics Norway). Annual inflation between January 2022 and 2023 was 7% (Statistics Norway).	<b>March 2023</b>																													
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		Construction output between January 2022 and 2023 increased by 0.6%, while monthly output between December 2022 and January 2023 decreased by 0.4% ( <a href="#">Statistics Norway</a> ).
Raw materials & Energy	Procurement	Prices / Costs
	<b>November 2022</b> A new gas pipeline called "Baltic Pipe", linking Norway to Poland via Denmark, is in the final stages of construction and is expected to operate at full capacity - 10 billion m <sup>3</sup> - from the end of October 2022 ( <a href="#">Bruegel</a> ).	<b>February 2023</b> Construction costs for residential housing increased by 6.3% between December 2021 and 2022 ( <a href="#">Statistics Norway</a> ). At the end of December 2022, the annual increase in electricity costs was 116.2% ( <a href="#">Statistics Norway</a> ).  <b>March 2023</b> Between January 2022 and January 2023, prices in the group "housing, water, electricity, gas and other fuels" increased by 4.7% ( <a href="#">Statistics Norway</a> ).  For civil engineering activities, between the fourth half of 2021 and 2022, their production cost increased by 2.9% ( <a href="#">Statistics Norway</a> ).  In addition, construction labour costs have increased by 4.6% between the fourth semester of 2021 and 2022 ( <a href="#">Statistics Norway</a> ).
Measures adopted by public services	<b>September 2022</b> <ul style="list-style-type: none"> <li>The Norwegian government is reluctant to cap gas prices, as it benefits from the price surge.</li> <li>The government had introduced a temporary scheme to help Norwegians cope with their electricity bills this winter, as energy prices have recently reached new records. The scheme will allow households to cope with the extraordinary electricity prices by deducting a sum from their bills. Households will be eligible for support for monthly electricity consumption of up to 5,000 kilowatt hours. The scheme is in place until the end of March 2022 and is administered by the Transmission System Operators (TSOs) (<a href="#">Norwegian Government, 2021</a>).</li> </ul> <b>October 2022</b> At the beginning of September, the government allocated almost one billion euros more - from the revenues of the state-owned electricity grid company Statnett - to its program to protect consumers from rising energy bills. The measure will now cover 90%	

	<p>of the part of electricity bills above the price of 0.70 kroner per kilowatt hour (€0.067/kWh). The total cost of the programme, which is to remain in place until at least March 2023, is therefore €3.4 billion.</p> <p>A few weeks later, Industry Minister Jan Christian Vestre presented a scheme covering companies whose electricity costs exceed 3% of revenues in the first half of 2022, amounting to 288 million euros. The subsidy presented by the government will compensate 25% of electricity tariffs exceeding a threshold of 0.70 kroner per kWh (<a href="#">Bruegel</a>).</p> <p><b>November 2022</b> From 24 November 2022, companies that spend more than 3% of their revenue on electricity can apply for funding. Companies have until 11 December to apply. This assistance consists of :</p> <ol style="list-style-type: none"> <li>1. 25% support for electricity prices above 70 øre/kWh. This support requires the company to carry out an energy map.</li> <li>2. An additional 20% aid for electricity prices above 70/kWh if the company also commits to implement energy efficiency measures within two years (<a href="#">BNL</a>).</li> </ol>
<b>Positioning of the Federation</b>	<p>On 24 March 2022, BNL gave two CEOs of member companies (wood industry) the opportunity to present their challenges and demands to the Norwegian Minister of Trade and Industry. They were able to reiterate the need for dialogue between business and government, the need to establish business support measures in this period and the need to speed up the flow of goods (<a href="#">BNL, 2022</a>).</p>

	Switzerland	
Commercial conditions	General	Construction
	<p><b>February 2023</b> The consumer price index (CPI) fell by 0.2% in December 2022 compared to the previous month, reaching 104.4 points (December 2020 = 100). Inflation was +2.8% compared to the same month of the previous year. Average annual inflation also reached +2.8% in 2022 (<a href="#">FSO</a>).</p> <p><b>March 2023</b></p>	<p><b>December 2022</b> The construction producer price index rose by 3.2% between April and October 2022, reaching 112.7 points (October 2020 = 100). This result reflects an increase in building and civil engineering prices. Year-on-year, construction prices rose by 8.3% (<a href="#">FSO</a>).</p> <p><b>March 2023</b></p>

	<p>Last year, Switzerland's official price watchdog handled 60% more consumer complaints than in 2021, most of which were due to prices in the energy sector.</p> <p>Some 30% of the 2,368 requests received last year were energy-related, Stefan Meierhans said on Monday.</p> <p>Due to the large number of complaints, Meierhans said he had adjusted his priorities at the beginning of 2022 to focus on heating, power, and fuels. He also asked gas supply companies to use reserves from previous years to mitigate price increases (<a href="#">SwissInfo</a>).</p>	<p>The main sector of construction is highly mobilised. As a result, employment remained at a high level throughout the year. In 2022, contractors and their employees achieved a turnover of CHF 23.3 billion, a nominal increase of 0.7% compared to 2021. The increase in the price of building materials could only be passed on in part, so that profit margins remained low. A slight slowdown in the construction sector is expected in 2023.</p> <p>As in 2021, sales exceeded the CHF 23 billion mark in 2022. Construction activity now stands at CHF 23.3 billion (+0.7%). However, as the price of building materials increased significantly in 2022, real production fell slightly by 2.0% compared to the previous year. The level of profit margins therefore remains very low (2 to 3%) and competition extremely tough. In addition, the increase in the price of building materials could only be partially passed on to the building owners.</p> <p>As in the previous year, new orders exceeded construction activity by about half a billion francs. However, the outlook for the coming months is not favourable in all sectors. After the non-residential construction sector made up for the backlog in 2020 caused by the coronavirus crisis in 2021, its orders declined by 12% in 2022. The housing sector also recorded fewer orders, in contrast to the public sector (<a href="#">Swiss Contractors Association</a>).</p>
Raw materials & Energy	Procurement	Prices / Costs
	The production of various building materials - in particular steel, cement, and bituminous pavements - requires electricity and/or gas. About half of the steel is produced in Switzerland and the other half is imported from abroad. The	<b>October 2022</b> <b>Electricity costs</b>

	<p>Gerlafingen steel plant, the country's largest steel producer, has already declared short-time working. A rise in steel prices in Switzerland is therefore possible in the coming months. A reduction in production and thus in the availability of steel is also possible (<a href="#">Swiss Contractors' Association</a>).</p> <p><b>March 2023</b>  Swiss wind power plants produced 153 gigawatt hours of electricity in 2022, an increase of 5% over the previous year, according to the Swiss Wind Energy Association.  Most of this was produced during the winter months, when almost two-thirds of wind power is generated. At the same time, solar and hydro power production decreases in winter, making these sources "ideal partners", according to the association.  However, wind power accounts for only a small share of total energy production in Switzerland. The proportion of electricity generated by new renewable energies (solar, wind, biomass and small hydro projects) rose from 10.3% in 2020 to 11.5% in 2021, according to official figures published in September.  Swiss wind energy was produced by 41 power plants across the country, with production varying according to wind conditions, according to Suisse Eole.  Switzerland still has relatively few wind power plants compared to its neighbours. France, Germany and Austria have 7,000 between them and "show us the way", says the association (<a href="#">SwissInfo</a>).</p>	<ul style="list-style-type: none"> <li>• The total cost on the regulated market is currently 19.4 cents/kWh on average; next year it will be 26.5 cents/kWh (+37%).</li> <li>• In contrast, under the free market, the cost of electricity will increase by a factor of 10 to 20.</li> <li>• This corresponds to an increase in the cost of electricity of 375% to 785%. According to press reports, companies have been able to negotiate more moderate price increases in some cases.</li> </ul> <p><b>Gas costs</b></p> <ul style="list-style-type: none"> <li>• One of the reasons for the rising costs of electricity is the rising price of gas. At the beginning of 2022, the wholesale price of natural gas in Europe was around €75 per MWh. By the end of August, this price had risen above €300. Since then, it has fallen again to around €200 (<a href="#">Swiss Contractors' Association</a>).</li> </ul> <p><b>March 2023</b>  In the summer of 2022, prices for energy and various building materials reached their peak. Recently, prices have been on the decline. The SSE believes that prices will continue to fall. The global economy is slowing down, leading to lower energy and commodity prices. The price of crude oil is the barometer of the global economy. Despite political factors such as the war in Ukraine, the price of oil has fallen by 25% since the summer of 2022. The continued economic downturn is expected to push oil prices down further soon.  Political uncertainty has led to sharp fluctuations in gas and electricity prices. The price of natural gas quadrupled, and the price of electricity even increased tenfold. In the meantime, the situation has calmed down. The price of gas is expected to rise again somewhat by the end of the winter.</p>
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		<p>Possible delivery difficulties have driven up the price of steel since the beginning of 2021. However, the peak was reached last summer. Prices have now returned to their pre-Ukraine level. This decline has continued into the first quarter of 2023.</p> <p>Building materials, mainly produced on the domestic market, such as concrete, cement and bricks, have seen their price level maintained for a long time. Due to the Ukrainian conflict and more expensive energy imports, production costs have also increased domestically. Corresponding tenders for energy, electricity or CO2 have already been implemented or announced recently. Concrete and brick factories have recently implemented or announced corresponding price increases for energy, electricity or CO2. Depending on the energy source used to produce a building material, prices could be revised downwards in the coming weeks.</p> <p>Most building materials should be cheaper in the next three months. But even for materials for which suppliers have announced price increases, construction companies should insist on a comprehensible explanation (<a href="#">Swiss Contractors' Association</a>).</p>
<b>Measures adopted by public services</b>	<p>This winter, Switzerland could face electricity and gas shortages. The Federal Council is planning a staggered procedure depending on the severity of the situation: calls for savings, restrictions on consumption, quotas or even partial cuts in the network.</p> <p><u>The government has adopted three motions to strengthen the security of electricity supply:</u></p> <ul style="list-style-type: none"> <li>⇒ Massive support for the construction of facilities for the conversion and storage of solar energy in the form of synthetic gas;</li> <li>⇒ Encourage the widespread development of smart grids;</li> <li>⇒ Giving small players the opportunity to participate in the control energy market (<a href="#">Swiss Info, September 2022</a>).</li> </ul> <p><b>November 2022</b></p>	

	On 23 November 2022, the Federal Council opened the consultation procedure on measures to be taken in the event of an electricity shortage. The aim of the consultation is to create legal and planning certainty for companies so that they can be prepared. An electricity shortage would entail enormous economic costs. Measures such as quotas or load shedding should therefore be avoided at all costs ( <a href="#">Swiss Economy</a> ).
<b>Positioning of the Federation</b>	

	European Commission
<b>Restrictive measures against Russia (In relation to the invasion of Ukraine)</b>	<b>IN BRIEF</b> Main EU sanctions against Russia since February 2022: <ul style="list-style-type: none"> <li>• Embargo on most Russian oil products</li> <li>• Embargo on Russian coal</li> <li>• Exclusion of several Russian banks from the Swift banking system</li> <li>• Freezing of Russian Central Bank assets outside Russia</li> <li>• European airspace closed to Russian aircraft</li> <li>• EU ports closed to Russian ships</li> <li>• EU roads closed to Russian carriers</li> <li>• Ban on the sale of aircraft and equipment to Russian airlines</li> <li>• Russian gold embargo</li> <li>• Russia Today and Sputnik banned from broadcasting in the EU</li> <li>• Freezing of assets of Vladimir Putin and Russian oligarchs</li> </ul>
	<b>MORE DETAILS</b> <ul style="list-style-type: none"> <li>• <a href="#">First package (23 February 2022)</a>: Sanctions targeting the ability of the Russian state and government to access EU financial and capital markets and services.</li> </ul>

	<ul style="list-style-type: none"> <li>• <u>Second package (25 February 2022)</u>: Sanctions on the financial sector, affecting Russia's access to the most important capital markets, targeting 70% of the Russian banking market, but also major state-owned companies.</li> <li>• <u>Third package (2 March 2022)</u>: Exclusion of major Russian banks from the SWIFT system.</li> <li>• <u>Fourth package (15 March 2022)</u>: A total ban on transactions with certain Russian state-owned enterprises, with the exception of state-owned banks, railways and the shipping registry; a ban on imports of steel products currently subject to EU safeguards; and a ban on new investments in the Russian energy sector, with the exception of nuclear energy and the transport of energy products.</li> <li>• <u>Fifth package (8 April 2022)</u>: The EU decided to ban the import of any type of Russian coal or coal exported from Russia, which the European Commission estimates represents a loss of revenue for Russia of around €8 billion per year. This measure took effect in August 2022.</li> </ul> <p>Member States also agreed on additional financial measures. They include a total trading ban and asset freeze for four Russian banks - Otkritie, Novikombank, Sovcombank and VTB - which are now completely cut off from markets after being disconnected from Swift.</p> <p>The EU has also decided to ban the import of additional products from Russia, worth €5.5 billion per year. These include cement, rubber products and wood.</p> <p>In addition, financial and non-financial support to Russian state-owned or state-controlled entities under EU, Euratom and Member State programmes will be restricted. The Commission will terminate its participation and suspend all ongoing grant agreements with Russian public bodies or related entities under Horizon 2020 and Horizon Europe, Euratom and Erasmus+. No new contracts or agreements with Russian public bodies or related entities will be concluded under these programmes.</p> <ul style="list-style-type: none"> <li>• <u>Sixth package (3 June 2022)</u>: EU decides to ban imports of crude oil and refined petroleum products from Russia, with some exceptions; exclusion of three more Russian banks and one Belarusian bank from the SWIFT system; suspension of broadcasting activities in the EU of three more Russian state media.</li> </ul>
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	<p>The EU also adopted sanctions against 65 additional individuals and 18 entities. These include individuals responsible for the atrocities in Butcha and Mariupol.</p> <ul style="list-style-type: none"> <li>• <u>Seventh package (25 July 2022)</u>: A new ban on the purchase, import or transfer of gold of Russian origin, including jewellery; Tighter export controls on dual-use goods; A tightening of the ban on Russian ships entering ports; Clarifications of existing measures, e.g. in the field of public procurement, aviation and the judiciary; Individual sanctions against 54 additional persons and 10 entities, including the mayor of Moscow and the Sberbank, a major financial institution</li> <li>• <u>Eighth package (29 September 2022)</u>: New import ban on Russian aeronautical and chemical products; No Europeans will be allowed to sit on the boards of Russian companies under threat of sanctions; Agreement to cap Russian oil prices (<a href="#">Euractiv</a>).</li> <li>• <u>Ninth package (7 December 2022)</u> : First, the Commission proposes to add nearly 200 individuals and entities to our sanctions list. This includes the Russian armed forces, as well as military officers, defence industry companies, members of the State Duma and Federation Council, ministers, governors and political parties. The list includes key individuals responsible for the brutal and deliberate Russian missile strikes against civilians, the abduction of Ukrainian children, Ukrainian children taken to Russia and the theft of Ukrainian agricultural products.</li> </ul> <p>Secondly, the Commission proposes to introduce sanctions against three more Russian banks, including a total ban on transactions against the Russian Regional Development Bank, to further paralyze Putin's financial machine.</p> <p>Thirdly, the Commission also wants to impose new export controls and restrictions, especially on dual-use goods. These include essential chemicals, nerve agents, electronic and computer components that could be used in the service of the Russian war machine.</p> <p>Fourth, the Commission will cut off Russia's access to all kinds of drones and unmanned aerial vehicles. We propose to ban the direct export of drones to Russia as well as the export to any third country, such as Iran, which could supply drones to Russia (<a href="#">The European Commission</a>).</p> <ul style="list-style-type: none"> <li>• <u>Tenth sanctions package (24 February 2023)</u> :</li> </ul>
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	<p>On the first anniversary of Russia's invasion of Ukraine, member states have agreed to try to weaken Moscow. The European Union on Friday evening approved a new set of sanctions aimed at hitting Russia's economy and Iranian companies accused of supporting its invasion of Ukraine, the Swedish presidency announced on its Twitter account. The US had also tightened sanctions earlier in the day.</p> <p>The 10th package includes new restrictions on EU exports to Russia worth €11 billion, and the freezing of assets of three Russian banks and numerous entities, including Iranian companies. The list includes 120 names, but it remains confidential until it is published in the EU's Official Journal (<a href="#">Les Echos</a>).</p>
<b>Aid to European countries affected by the crisis in Ukraine</b>	<p>On 23 March, the European Commission adopted a temporary crisis framework to allow Member States to use the flexibility offered by the state aid rules to support the economy in the context of the Russian invasion of Ukraine.</p> <p><u>Three types of aid are provided:</u></p> <ol style="list-style-type: none"> <li>1) <b>Limited amount of aid</b> - The total amount of aid must not exceed EUR 400 000 per company at any one time. Aid may be given in the form of direct grants, tax benefits and payments or in other forms such as repayable advances, guarantees, loans and equity.</li> <li>2) <b>Liquidity support in the form of public guarantees and subsidised loans</b> - The total amount of loans per beneficiary for which a guarantee is granted if it does not exceed 15% of the enterprise's average annual global turnover (last 3 financial years); if it does not exceed 50% of the energy costs of the last 12 months; upon appropriate justification that the Member State will provide to the Commission for its assessment.</li> <li>3) <b>Aid to compensate for high energy prices.</b></li> </ol> <p>The temporary crisis framework will be in place until 31 December 2022, with a possible extension (<a href="#">European Commission, March 2022</a>).</p>
<b>Energy supply</b>	<p><b>March 2022</b></p> <p>The Commission presented on 23 March ideas for collective action at EU level to tackle the root causes of the existing problem in the gas market and ensure security of supply at reasonable prices for the next winter season and beyond.</p> <ul style="list-style-type: none"> <li>• A legislative proposal introducing an obligation to set the minimum level of gas storage for the next winter at 80% to ensure security of energy supply, to be increased to 90% in subsequent years.</li> <li>• A document describing the options for market intervention at European and national levels, and assessing the advantages and disadvantages of each option.</li> </ul>

Partnerships with third countries to collectively purchase gas and hydrogen have also been envisaged by the Commission, which is ready to set up a *task force* on joint gas purchases at EU level. By pooling demand, the *task force* would facilitate and strengthen the EU's international approaches to suppliers to ensure cheap imports for the coming winter.

### September 2022

The Commission has presented 9 measures to combat rising energy prices. These measures include:

- **Capping the revenues of nuclear and renewable energy producers:** Wind, solar, biomass, hydroelectric... sell their electricity at a price higher than their production costs (the price of electricity being indexed to the price of gas, which has risen sharply since the war in Ukraine). The European Commission is therefore proposing to capture the revenues of these companies and redistribute them to vulnerable households and companies;
- **Gas price cap ;**
- **Reduction of 15% of Member States' consumption between August 2022 and August 2023** (reduction of consumption at peak hours) ([Vie Publique, September 2022](#)).

The rest of the proposed measures will be discussed at the end of September 2022, in the hope of finding a consensus.

### November 2022

The European Commission has unveiled a formal proposal to establish what could soon be the first ever European cap on gas prices. This extraordinary measure will serve as a safety cap and will only be triggered in the event of high volatility and unbridled speculation in the gas markets. The cap is based on two conditions:

- If FTT prices reach or exceed €275 per megawatt hour for at least two weeks.
- If FTT prices are €58 above the liquefied natural gas (LNG) market benchmark for at least 10 consecutive trading days ([EuroNews, November 2022](#)).

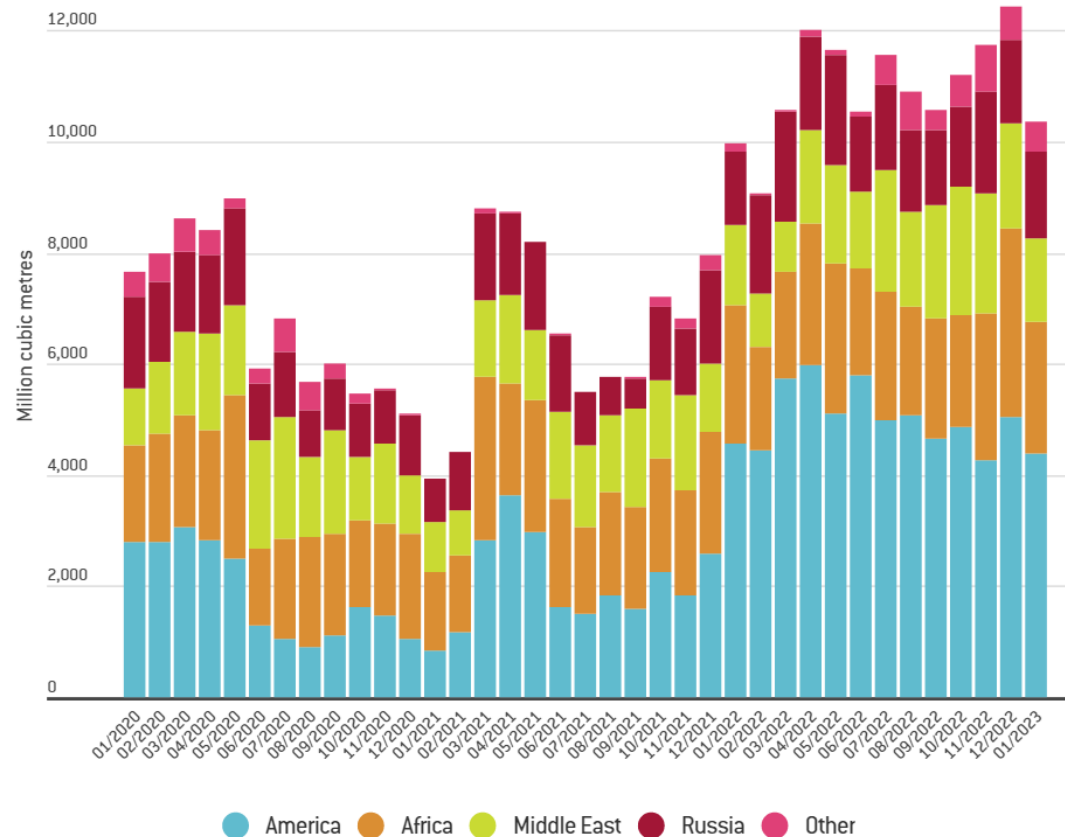
The Europeans finally agreed on Friday 2 December on the threshold beyond which purchases of Russian oil transported by sea will be impossible. It is set at 60 dollars a barrel, i.e. a little less than its current price of 65 dollars. If the price were to fall below \$60, a limit set at 5% below the market price would apply. In concrete terms, shipowners, insurers and reinsurers will be prohibited from covering cargoes of black gold once this purchase price is exceeded. And as 90% of Russian oil transported by sea is insured by groups based in G7 and EU countries, this price cap should also be imposed at the global level, notably on China and India ([Le Figaro](#)).

### December 2022

	<p>On 9 December 2022, the Commission, together with industry players, research institutes, associations and other stakeholders, launched the European Solar PV Industry Alliance.</p> <p>The alliance will help mitigate supply risks by ensuring diversification of supply through more diversified imports and larger scale manufacturing of innovative and sustainable PV panels in the EU. In a joint statement, the Commission and the alliance signatories identified immediate priorities for 2023.</p> <p><u>It will focus its efforts on the following:</u></p> <ul style="list-style-type: none"> <li>- securing investment opportunities in European solar PV;</li> <li>- Promote a favourable environment for the European solar photovoltaic sector;</li> <li>- diversify supply and strengthen the resilience of the supply chain.</li> </ul> <p>The new alliance has endorsed the goal of achieving 30 GW of European generation capacity by 2025, across the entire value chain. 60 billion per year in Europe and create over 400,000 new jobs (<a href="#">European Commission</a>).</p> <p><b>More information available on the Commission's actions to tackle the energy crisis in Europe:</b> <a href="#">EU action to tackle the energy crisis (europa.eu)</a>.</p> <p><b>March 2023</b></p> <p>The figure shows monthly EU27 LNG imports by region of origin since January 2020. While in the summer of 2021 natural gas imported from Russia by pipeline started to decrease, the volumes of Russian LNG reaching European LNG terminals have so far not been affected (<a href="#">Bruegel</a>).</p>
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**Figure 4: EU27 LNG monthly imports by region of origin**

Last updated: 14/02/2023 [updated every month]



## Legislation

**Proposed revision of the state aid framework against the backdrop of the war in Ukraine and the energy crisis** - The European Commission is considering extending the period of application of these temporary rules until 31 December 2023 (instead of 31 December 2022, until now). The ceilings for aid authorised to support companies in the face of rising gas and

electricity prices have not been changed, but are now calculated over a calendar year and no longer "at a given moment". This means that an industrial company can receive up to €2 million per year, or even up to €50 million for certain energy-intensive companies. Heating and cooling bills are also now taken into account in the calculation of the additional cost of energy supply for companies. In addition, a chapter has been added to allow aid to encourage the reduction of electricity consumption ([Background](#)).

**Formal adoption of the Regulation on super-profits and electricity demand reduction** - The written validation procedure of this emergency regulation adopted by the Energy Ministers of the 27 Member States on 30 September was completed on 6 October. "All delegations voted in favour, with the exception of the Slovak and Polish delegations, which voted against," says the Council Secretariat note.

#### **December 2022**

The European Commission is expected to publish in the next few days a consultation document for Member States on the reform of the electricity market. How to bring electricity prices down to more reasonable levels? With European industry alarmed at the effect of soaring prices on its competitiveness and a new fever pitch looming for next winter - against a backdrop of tensions over gas and electricity supplies - the European Commission's promised electricity market reform project will officially be put on the table. More information soon ([Les Echos](#)).

#### **February 2023**

##### **Electricity market reform: EU begins talks**

In response to soaring energy prices, the European Commission is preparing an overhaul of its electricity market so that all consumers can benefit from renewable energy at reasonable prices.

Unlike the emergency measures that were rushed through last year, electricity market reform will take longer as it requires much longer deliberations between Member States and the European Parliament.

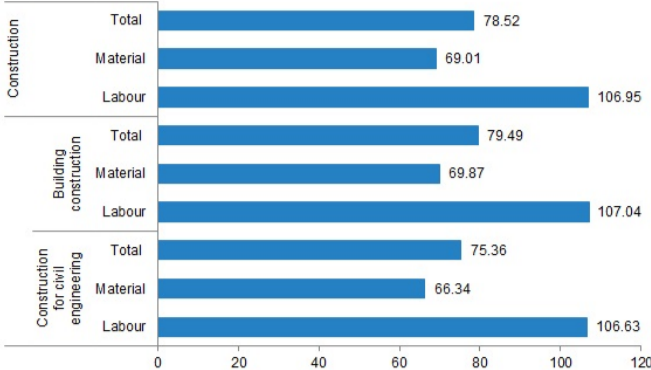
The European Commission plans to present its market reform proposal in March 2023, but this will be preceded by a public consultation. The bloc's member states are also working on the reform and will begin discussions in an energy working group led by the Swedish EU Council Presidency ([Euractiv](#)).

The public consultation is open from 23 January 2023 until 13 February 2023 : [Electricity Market - Reform of the organisation of the electricity market in the EU \(europa.eu\)](#)

# INTERNATIONAL

NON-EU COUNTRY		
	General Facts & Measures	General Facts & Measures: Construction
Turkiye	<p><b>February 2023</b> According to the IMF predictions, Turkiye's GDP will be of 3% in 2023, while the inflation rate should be at 51,2% (a decrease compared to 2022)(IMF).</p> <p><b>March 2023</b> The monthly inflation was of 3.15% between November and December 2022, while the annual inflation was 55.18% in December 2022. in February 2023, the annual inflation was of 71.83% (<a href="#">Statistics Turkey</a>).</p> <p><b>Industrial production increased by 4.5% annually.</b> When the subsectors of the industry (based on 2015=100) were examined, mining and quarrying index decreased by 7.6%, manufacturing index increased by 5.8% and electricity, gas, steam and air conditioning supply index decreased by 5.7% in January 2023, compared with same month of previous year (<a href="#">Statistics Turkiye</a>).</p>	<p><b>February 2023</b> Confidence index of construction increased by 0.6% since the beginning of 2023. The number of orders is expected to increase (<a href="#">TUIK</a>).</p> <p>The service producer price index increased by 85.06% in 2022 for engineering services (<a href="#">TUIK</a>).</p> <p><b>March 2023</b> In January 2023, construction cost index (CCI) increased by 15.32% compared with previous month and increased by 78.52% compared with the same month of the previous year. Material index increased by 5.79% and labour index increased by 47.79% compared with the previous month. Also material index increased by 69.01% and labour index increased by 106.95% compared with the previous year. Building construction cost index increased by 15.58% compared with previous month and increased by 79.49% compared with the same month of the previous year. Material index increased by 5.61% and labour index increased by 48.48% compared with the previous month. Also material index increased by 69.87% and labour index increased by 107.04% compared with the previous year. Construction cost index for civil engineering increased by 14.45% compared with previous month and increased by 75.36% compared with the same month of the previous year. Material index increase by 6.37% and labour index increased</p>



		<div>by 45.26% compared with the previous month. Also material index increased by 66.34% and labour index increased by 106.63% compared with the previous year (<a href="#">Statistics Turkey</a>)</div> <div><p>Construction cost index annual rate of changes (%), January 2023</p><table><thead><tr><th>Category</th><th>Total</th><th>Material</th><th>Labour</th></tr></thead><tbody><tr><td>Construction</td><td>78.52</td><td>69.01</td><td>106.95</td></tr><tr><td>Building construction</td><td>79.49</td><td>69.87</td><td>107.04</td></tr><tr><td>Construction for civil engineering</td><td>75.36</td><td>66.34</td><td>106.63</td></tr></tbody></table></div>	Category	Total	Material	Labour	Construction	78.52	69.01	106.95	Building construction	79.49	69.87	107.04	Construction for civil engineering	75.36	66.34	106.63
Category	Total	Material	Labour															
Construction	78.52	69.01	106.95															
Building construction	79.49	69.87	107.04															
Construction for civil engineering	75.36	66.34	106.63															
	<b>Raw materials &amp; Energy: Sourcing</b>	<b>Raw materials &amp; Energy: Costs</b>																
<b>Türkiye</b>	<div><b>December 2022</b> Given Turkey’s high dependance on oil and gas imports, the war in Ukraine has strong impacts on its economic state. Gas imports from Russia accounts for a half of all Turkey’s gas importations, while oil imports represent 30% of them (<a href="#">OECD, 2022</a>).</div> <div><b>March 2023</b> Türkiye announced a "National Energy Plan" and "Hydrogen Technologies Strategy and Roadmap," both to meet the country's 2053 net zero emission targets. Speaking at a briefing in the capital Ankara, Energy and Natural Resources Minister Fatih Donmez said Türkiye's "National Energy Plan" is projected to both support economic growth and take the country's green energy transformation</div>	<div><b>February 2023</b> In November 2022, construction cost index increased by 103.47% compared with the same month of the previous year. Material index increased by 108.55% and labour index increased by 87.92% compared with the previous year (<a href="#">TUIK</a>).</div> <div>Energy prices decreased by 2.12% in December, and annual inflation in this group dropped by 23.57 points to 94.43%. Despite the hike in municipal water prices, energy prices fell in this period due to tumbling fuel prices in tandem with the decline in international crude oil prices (<a href="#">TMB</a>).</div>																

	<p>to the next level.</p> <p>Under the new plan, Türkiye's energy consumption, which was 147.2 million tons of oil equivalent in 2020, is projected to reach 205.3 million tons of oil equivalent in 2035, meaning a 39.5% increase, in line with Türkiye's growth targets.</p> <p>Renewable energy sources, which had a 16.7% share in primary energy consumption in 2020, will increase to 23.7% in 2035. The country's installed power in electricity will reach 189,700 megawatts (MW), up from 95,900 MW in 2020.</p> <p>74.3% of this capacity increase is expected to come from renewable energy sources, primarily solar and wind. In 2035, the solar installed power will reach 52,900 MW, while this number will be 29,600 MW for wind, 35,100 MW for hydroelectricity, and 5,100 MW for geothermal and biomass.</p> <p>"Considering the 2-hour charging time, we will reach a battery storage capacity of 7.5 gigawatts (GW)," Donmez also declared, adding that in 2035, the electricity generation from nuclear energy will have a share of 11.1% in the country's total power production.</p> <p>Meanwhile, Donmez also declared Türkiye's new "Hydrogen Technologies Strategy and Roadmap," stressing that the green hydrogen, which is obtained by using renewable energy sources through the electrolysis of water, will be an important element for the country's net zero emission target.</p> <p>Starting from 2030 until the end of 2053, the share of hydrogen blended into natural gas will be 12%, and synthetic methane 30%.</p> <p>"We aim to reduce the cost of hydrogen production per kilogram to \$2.4 by 2035 and to halve this figure by the 2050s," he said.</p> <p>Stressing that electrolysis of water is one of the most convenient methods used to generate electricity from hydrogen, Donmez also noted that under the new plan,</p>	
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	installed electrolyzer capacity will reach 2 GW in 2030, 5 GW in 2035, and 70 GW in 2053 ( <a href="#">Yenisafak</a> ).	
	<b>Public Authorities measures</b>	
<b>Turkiye</b>	<b>February 2023</b> The Central Bank will continue to use all available instruments decisively until strong indicators point to a permanent fall in inflation and the medium-term 5% target is achieved in pursuit of the primary objective of price stability ( <a href="#">TMB</a> ).	

<b>NORTH AMERICA</b>		
	<b>General Facts &amp; Measures</b>	<b>Facts &amp; Measures for Construction</b>
<b>Overview</b>	<b>March 2023</b> North America dominates the global industrial construction project pipeline, accounting for 21.7% or \$1.03 billion of the pipeline in Q4 2022, an increase of 5.1% from the previous quarter, says GlobalData. GlobalData notes “re-shoring” and large-scale stimulus packages in the US have accelerated the pipeline of industrial projects in North America. GlobalData’s latest report, ‘ <a href="#">Project Insight – Industrial – Q1 2023</a> ’, reveals that the US dominates the project pipeline in North America, representing 84.9% of the pipeline, with the total value of projects amounting to \$876.2 billion. Jack Riddleston, <a href="#">Construction</a> Analyst at GlobalData, comments: “In terms of pipeline value, North America has accelerated away from North-East Asia, which holds the second-largest industrial project pipeline. Major project announcements in Q4 2022, such as the \$12 billion Phoenix Chip Manufacturing Plant in Arizona, US, and the \$10.6 billion Mazda Electric Vehicle Production Facility in the US, have largely driven the sizable increase in the North American pipeline”. Based on GlobalData’s analysis of the industrial construction projects currently in the pipeline in North America, <b>construction spending will reach \$194.8 billion in 2023</b> , if all projects go ahead as planned and spending is evenly distributed over the construction stage. GlobalData is currently tracking industrial construction projects in North America with a total value of \$1.03 trillion. Projects in the pre-execution and execution stages account for 37.6% of projects in the pipeline ( <a href="#">GlobalData</a> ).	
<b>Canada</b>	<b>January 2023</b> Real gross domestic product (GDP) rose 0.7% in the third quarter, the fifth consecutive quarterly increase. Growth in exports, non-residential structures, and business investment in inventories	<b>January 2023</b> The Canadian Construction Association's (CCA) "Day on the Hill" was held on Tuesday, November 15, 2022. Representatives of Canada's construction industry are calling on the federal government to make

	<p>were moderated by declines in housing investment and household spending. Final domestic demand, composed of expenditures on final consumption and capital investment, edged down 0.2%, following a 0.6% increase in the second quarter (<a href="#">Statistics Canada, 2022</a>).</p> <p>The Consumer Price Index (CPI) rose by 6.8% year over year in November 2022, following a 6.9% increase in October 2022. Excluding food and energy, prices rose by 5.4% on a yearly basis in November 2022, following a gain of 5.3% in October 2022. Slower price growth for gasoline and furniture was partially offset by faster growth in mortgage interest cost and rent.</p> <p>On a monthly basis, the CPI rose 0.1% in November following a 0.7% gain in October. On a seasonally adjusted monthly basis, the CPI was up 0.4% (<a href="#">Statistics Canada, 2022</a>).</p> <p><b>March 2023</b>  The IMF forecasts that Canada's GDP will be of 1.5% in 2023, and the annual inflation is forecasted to be of 4.2% (<a href="#">IMF</a>).</p>	<p>changes to modernize Canada's immigration policy and update the Temporary Foreign Worker Program to address the most severe labor shortage Canada has seen in over 50 years.</p> <p>While all provinces and sectors of the Canadian economy are reeling from historically high vacancy rates, the situation is particularly acute for the construction sector.</p> <p>The federal government has an ambitious growth plan that includes repairing, maintaining, and upgrading aging infrastructure, while ensuring that infrastructure is climate resilient in the future. However, the construction industry is currently struggling to fill more than 81,000 positions nationwide. This means that critical projects such as schools, hospitals, power generation facilities, roads, bridges, and trade corridors that connect the communities not only to each other, but to the global marketplace, are at risk of being delayed or cancelled.</p> <p>The government's recent announcement that Canada would seek to welcome up to 500,000 new immigrants per year by 2025 (<a href="#">CCA, 2022</a>).</p> <p><b>March 2023</b>  Investment in building construction decreased 1.3% to \$20.2 billion in December. The residential sector declined 2.1% to \$14.6 billion, while the non-residential sector was up 0.8% to \$5.6 billion. Investment in residential building construction was down 2.1% to \$14.6 billion in December. Investment in the construction of single-family homes continued to decline for the fifth consecutive month, down 0.5% to \$7.8 billion. Alberta (-3.6%) played the largest role in the decline. Investment in multi-unit construction decreased 3.9% to \$6.8 billion. Ontario posted its largest decline (-8.1%) since April 2020, early in the COVID-19 pandemic.</p>
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		<p>Investment in non-residential construction was up 0.8% to \$5.6 billion in December. Ontario (+2.7%) accounted for most of the growth as it led the gains in each component.</p> <p>Industrial construction investment increased for the 13th consecutive month, up 2.1% to \$1.1 billion. Ontario and Quebec, as well as the overall industry, continued to post record highs.</p> <p>Commercial construction investment remained relatively stable for the month, up 0.1% to \$3.1 billion. The growth in Ontario (+1.7%) offset declines in seven other provinces.</p> <p>Institutional construction investment increased 1.5% to \$1.4 billion and has remained around this value since October 2021. Notably, New Brunswick posted its 7th consecutive increase in this component in December 2022, while Newfoundland and Labrador posted its 14th consecutive drop (<a href="#">Canada Statistics</a>).</p> <p>The monthly total value of building permits in Canada decreased 4.0% in January to \$9.8 billion.</p> <p>There were eight provinces that reported decreases in January, with the multi-residential sector in British Columbia significantly contributing to the national fall.</p> <p>The residential sector declined 6.6% to \$6.1 billion in January, while the non-residential sector was relatively stable, increasing a modest 0.7% to \$3.7 billion.</p> <p>Residential permits decreased 6.6% to \$6.1 billion in January with seven provinces posting decreases.</p> <p>The downward trend of multi-family homes continued as construction intentions declined 8.3% in January. Most of the decline stemmed from British Columbia (-27.9% or -\$301.2 million) following a month of significant urban development intentions. Conversely, Manitoba posted a notable increase (+106.0% or +\$63.0 million) in January.</p>
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		Total permit values for single-family homes decreased 4.4% in January, with Quebec (-13.5% or -\$74.6 million) contributing the most to the decline. Alberta (+0.8%) and British Columbia (+0.6%) were the only provinces to post increases for this component ( <a href="#">Canada</a> ).
United-States	<b>January 2023</b> In 2023, the GDP is projected to grow by 1% while the annual average inflation is supposed to be around 3.5% ( <a href="#">IMF, 2022</a> ).	<b>February 2023</b> The US engineering and construction (E&C) industry began 2022 on a bright note after achieving strong growth of 8% in construction spending in 2021. While the value added reached \$1 trillion in Q2 2022, gross output stood at \$2 trillion in Q2 2022 compared to \$1.9 trillion in Q2 2021. But a closer look at current market dynamics suggests that 2023 will likely experience differentiated growth rates across different industry segments. On the one hand, the nonresidential segment is likely to be buoyed by funds entering the market from the Infrastructure Investment and Jobs Act (IIJA) and the CHIPS and Science Act of 2022. The CHIPS and Science Act provides \$52.7 billion for American semiconductor research, development, manufacturing, and workforce development and is expected to drive construction in 2023 and beyond. On the other hand, residential construction companies are relatively more pessimistic about the industry outlook for the next year compared to other segments. The residential segment may witness sluggish growth due to weakening consumer demand. So, while some segments may be more bullish than others, there are headwinds, such as inflation and supply chain issues, which may continue to affect the industry overall in the coming year. The construction industry is expected to continue feeling the effects of increased prices—from the rising prices of steel, lumber, and fuel to the increased cost of skilled labor. Therefore, the industry could experience project completion delays, increased construction costs, and reduced profit margins ( <a href="#">Read Deloitte's full study</a> ).

		<p><b>Total Construction Spending Put in Place Estimated for the United States</b></p> <p><a href="#">North America: Engineering and construction industry overview, 2023.</a></p>
<b>Mexico</b>	<p><b>January 2023</b> In November 2022, inflation rate slowed to 7,8%, while GDP growth was of 1,2% (<a href="#">INEGI Statistics Mexico</a> &amp; <a href="#">IMF</a>).</p> <p><b>March 2023</b> The IMF forecasts that Mexico's GDP will be of 1.2% in 2023, and the annual inflation is forecasted to be of 6.3% (<a href="#">IMF</a>).</p>	<p><b>December 2022</b> The production value generated by construction companies decreased by 1.2% between August 2022 and September 2022. Since June 2020, the production activity is very uneven (since January 2019, the construction activity value has drastically decreased)(<a href="#">INEGI Statistics, 2022</a>).</p> <p><b>March 2023</b> In January 2023, the Monthly Industrial Activity Indicator (IMAI) presented no variation at monthly rate; By sector of economic activity, Generation, transmission and distribution of electric power, water, and gas supply through pipelines to the final consumer increased 0.8 %; Manufacturing Industries, 0.7 %; Mining, 0.2 % and Construction decreased by 1%.</p>

		At annual rate and with seasonally adjusted series, the IMAI grew 2.5 %, in real terms, last January. By sector of economic activity, Generation, transmission and distribution of electric power, water, and gas supply through pipelines to the final consumer rose 4.4 %; Manufacturing industries, 4.1 %; Construction, 2.9 % and Mining decreased 3.9% ( <a href="#">INEGI</a> ).
	<b>Raw materials and energy sourcing</b>	<b>Raw materials and energy costs</b>
<b>Canada</b>	<p><b>December 2022</b></p> <p>Thanks to its reserves and production capacity of oil and natural gas, Canada produces more energy than its own needs, and in 2020 exported 44% of domestic energy production. In 2020, fossil fuels accounted for 76.5% of total energy supply (TES). Natural gas was the largest energy source in 2020 (39% of TES), followed by oil (33%). Canada's energy supply also consists of significant shares of hydro (12%), nuclear (8.9%), coal (3.7%) and biofuels and waste (2.6%)(<a href="#">IAE, 2022 Canada Report</a>).</p> <p>The war in Ukraine reduced the global supply of natural gas, generally driving prices up. It has also reduced Europe's access to the resource. As a result, the U.S. has increased its natural gas exports to Europe, and Canada has increased its exports to the U.S., further reducing Canada's supply. Natural gas is currently five times more expensive in Europe than in Canada.</p> <p><b>March 2023</b></p> <p>December 2022 closed a year that saw numerous external challenges which influenced Canada's energy sector. Canadian energy producers finished the year by posting an increase in the production of primary energy, up 5.1% to 2.0 million terajoules in December. Compared with December 2021, four of the six energy subsectors reported higher production, notably natural gas (+5.9%) and crude oil (+4.3%).</p>	<p><b>January 2023</b></p> <p>Forbes made some projections for the year 2023, regarding the state of the USA energy sector, among them:</p> <ul style="list-style-type: none"> <li>• The expansion of the renewable energy industry (fueled by the Inflation Act and the Bipartisan Infrastructure Law);</li> <li>• The oil prices will hit \$100 again;</li> <li>• The average U.S. price for a gallon of regular gas at the pump will hit \$5 again (<a href="#">FORBES, 2023</a>).</li> </ul>



	<p>Production of secondary energy products increased 4.9% in December 2022, which was largely attributable to the refined petroleum products sector (+5.3%).</p> <p>An in-depth review of 2022 is available in the section titled "Energy year in review 2022" at the end of this release.</p> <p>Production of crude oil and equivalent products increased 4.2% to 24.5 million cubic metres in December. This was the sixth consecutive monthly year-over-year increase, as international demand for energy products remained strong.</p> <p>The overall increase in December was driven by higher oil sands extraction, up 3.4% to 15.9 million cubic metres. Crude bitumen production rose 5.4% to 9.8 million cubic metres, while synthetic crude oil production edged up 0.2% to 6.1 million cubic metres. Production remained strong despite a week of extreme cold weather in Western Canada, which caused temporary disruptions to some operations.</p> <p>According to the <a href="#">Raw Materials Price Index</a>, the price of crude oil and bitumen was up 16.4% from December 2021, the smallest year-over-year rise since energy prices started to increase sharply that year. In December 2022, the Organization of Petroleum Exporting Countries decided to continue with crude oil production cuts, citing falling demand for oil and a possible recession in key economies.</p> <p>Exports of crude oil and equivalent products were down 6.1% to 18.4 million cubic metres in December. Exports to the United States by pipeline decreased 7.5% following a disruption to flows on the Keystone pipeline, after a leak was discovered in Kansas on December 7. Total electricity generation in Canada rose 2.3% year over year to 61.9 million megawatt-hours (MWh) in December. Increases in generation from hydroelectric (+4.4%), combustible</p>	
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	<p>(+3.8%) and wind (+2.0%) sources compensated for an 11.1% drop in nuclear generation.</p> <p>Ongoing refurbishment at units of Ontario's Darlington Nuclear Generating Station, as well as unplanned maintenance at the Point Lepreau Nuclear Generating Station in New Brunswick, reduced generation in December.</p> <p>Ontario's use of combustibles rose 25.1% in December to compensate for reduced nuclear generation levels. In contrast, a 7.9% drop in Saskatchewan's combustible generation partially offset the overall increase. In 2022, Saskatchewan began purchasing electricity from Manitoba to reduce its dependence on combustibles.</p> <p>Exports of electricity to the United States climbed 6.2% year over year in December to 5.2 million MWh. The increase in exports was largely driven by Manitoba's ongoing recovery from the effects that the 2020 and 2021 drought had on the province's hydroelectric generation (<a href="#">Canada Statistics</a>).</p>	
United-States	<p><b>January 2023</b></p> <p>The <u>Energy Information Agency</u> made some forecasts for 2023:</p> <ul style="list-style-type: none"> <li>• Increase in U.S. electricity generation from solar and wind. The EIA expects renewable sources to provide 24% of U.S. generation in 2023, up from 20% in 2021.</li> <li>• Natural gas fuels 38% of U.S. electricity generation in 2022, up from 37% in 2021, but the EIA forecasts it to fall back to 36% in 2023. Coal-fired electricity generation falls from 23% of the U.S. total in 2021 to 19% in 2023.</li> </ul> <p><b>March 2023</b></p> <p>Global liquid fuels production: the EIA forecasts of oil production in Russia included a steep decline in the coming</p>	<p><b>March 2023</b></p> <p><b>Natural Gas Futures Contract 1</b></p> <p>Dollars per Million Btu</p> <p>— Natural Gas Futures Contract 1</p> <p>eia Data source: U.S. Energy Information Administration</p>

months resulting from the EU's ban on seaborne petroleum products from Russia that began February 5. Russia recently announced a crude oil production cut of 0.5 million barrels/day for March, and the EIA expects declines to be more than that, with Russia's production falling by 0.7 million barrels/day in March. Despite the declines in March, recent petroleum exports from Russia have outpaced expectations, and we have revised our oil production forecast for Russia upwards by 0.4 million barrels/day in 2023. Overall, we expect global oil and liquid fuels production will average 101.5 million barrels/day in 2023, up 1.6 million barrels/day from 2022 ([EIA](#)).

Cushing, OK Crude Oil Future Contract 1



**Natural gas consumption:** EIA expects U.S natural gas consumption to average 99.1 billion cubic feet per day (Bcf/d) in the first quarter of 2023 (1Q23), down 5% from Q1 2022. The decline in consumption is the result of very mild temperatures that have reduced demand for space heating. The largest decline is in residential and commercial consumption, which we expect will be 11% less in 1Q23 than in 1Q22.

**Natural gas inventories and price:** As a result of less natural gas consumption than expected, EIA forecasts that the United States will close the withdrawal season at the end of March with more than 1.9 trillion cubic feet of natural gas in storage, 23% more than the five-year average and 27% more than forecasted in the January STEO. The Henry Hub natural gas spot price in our forecast averages about \$3 per million British thermal units (MMBtu) in 2023, down by more than 50% from last year. EIA had expected almost \$5/MMBtu in the January STEO forecast.

**Electric power prices:** EIA forecasts indicates that wholesale electricity prices fall in 2023. The decline in price reflects the forecast drop in natural gas prices from 2022 to 2023. Natural gas is the most-used fuel for power generation in the United States. In addition,

		<p>increasing electricity generation from renewable sources contributes to lower power prices.</p> <p><b>Global Liquid fuels consumption:</b> EIA expects global liquid fuels consumption to increase by 1.5 million barrels per day (b/d) in 2023 from 2022 and by an additional 1.8 million b/d in 2024. China is the main driver of growth in 2023 as the country shifts away from its zero-COVID policy, a shift that will increase travel. Growth in 2024 is more evenly distributed among countries as global GDP growth accelerates from 2.0% in 2023 to 3.2% in 2024.</p> <p><b>U.S. gasoline consumption:</b> EIA raised its forecast for U.S. gasoline consumption in 2023 and 2024 by about 2% compared with last month's outlook. Data revisions from the <u>Federal Highway Administration</u> resulted in a lower estimate of 2022 vehicle miles traveled (VMT). EIA now estimate VMT fell in 2022 compared with 2021. For the same period, EIA also reduced its estimate of vehicle fuel efficiency. The reduction in the vehicle efficiency estimates more than offset the lower VMT. These changes to historical data carried through to the forecast and resulted in EIA raising its forecast for gasoline consumption (<a href="#">EIA</a>).</p>
<b>Mexico</b>	Trade and economic ties are weak with Ukraine and Russia. However, the country could be impacted through its importations from the USA. As the United States have increased their exports towards Europe, the supplies towards Mexico are fewer and more expensive ( <a href="#">OECD, 2022</a> ).	<p><b>December 2022</b></p> <p>Prices of construction materials increased by 18.5% on average in a year as of May 2022.</p> <p>Between April and May 2022, asphalt's price went up by 6.8%, rebar rose 3.4% while wire and wire rod increased 2.5%. INEGI reported that the prices of 44 out of the 49 construction materials included in its analysis increased between the end of April and the end of May 2022 (<a href="#">Reforma, 2022</a>).</p>
<b>Public Authorities measures</b>		
<b>Canada</b>	<b>January 2023</b>	

	Bank of Canada – Policy interest rate The bank increased its interest rate up to 4,25% at the end of 2022. In January 2022, the interest rate was of 0.25% ( <a href="#">Bank of Canada, 2022</a> ).
<b>United-States</b>	<b>December 2022</b> The Federal Reserve has now lifted its pandemic interest rate, by increasing it to 0,75% and 1%. Further increases are planned in the coming months, with a 3,25% interest rate by the end of 2023 ( <a href="#">OECD, 2022</a> ).
<b>Mexico</b>	<b>January 2023</b> The Bank of Mexico raised its interest policy rate to 10.5% in December 2022 ( <a href="#">Banco de Mexico</a> ).

MIDDLE EAST & AFRICA		
	General Facts & Measures	Facts & Measures for Construction
<b>Overview</b>	<p><b>February 2023</b></p> <p>The <a href="#">Economist Intelligence Unit</a> points to likely growth in construction of 3.5 or 4% on average over the next two years for Gulf Co-Operation Council countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates). High energy prices have proven an export boon to countries in the region and the EIU describes a substantial pipeline of projects in energy, power, water and transport infrastructure, commercial and residential real estate, and industrial developments, with many contracts yet to be awarded.</p> <p>Meanwhile, <a href="#">Research and Markets</a> expects the South African construction industry to stabilize at an annual average growth rate of 3% from 2023 to 2026, with the recovery there supported by government investments in transport, energy, water and residential projects (<a href="#">Construction blog</a>).</p> <p>Fitch Solutions predicts that construction in the Middle East and North Africa (Mena) will see a growth rate of 5% in 2023, outstripping the global rate of 2.3%, thanks to high oil prices, burgeoning project pipelines, and what it called “impending disinflation in materials prices” (<a href="#">Global construction review</a>).</p>	

	<p><b>SUB-SAHARAN AFRICA</b></p> <p>Construction output in Sub-Saharan Africa grew by an estimated 1.7% in 2022, compared to a growth of 3.2% registered in 2021. The industry is forecast to record growth of 3.2% in 2023, however, significant downside risks persist, most notably the rising debt levels across the region, says GlobalData, data and analytics company.</p> <p>Chinese funding has been a major source of growth for infrastructure projects in the region in the last two-decades, helping Africa bridge its \$100 billion-a-year infrastructure deficit. However, post-pandemic Chinese economic slowdown coupled with the substantial losses on the loans it granted to multiple countries is resulting in a recalibration of Chinese focus on the Belt and Road Initiative (BRI) and a slowdown in Chinese investment in the region. Alongside, a tightening of monetary policy across the developed countries is also affecting the region, while higher interest rates because of high inflation is weighing on both business investments and household consumption (<a href="#">GlobalData</a>).</p>	
<b>Kuwait</b>	<p><b>March 2023</b></p> <p>Kuwait's GDP is projected to be 2.6% in 2023, while the annual inflation will be of 2.4% (<a href="#">IMF</a>).</p>	<p><b>March 2023</b></p> <p>Kuwait is reported to have approved nearly 837 million Kuwaiti dinars (US\$2.76 billion) for 110 projects that are planned to begin in the fiscal year 2023-2024.</p> <p>Arabic language daily Alqabas newspaper has reported that 55 of those projects would be launched in 2023.</p> <p>The 55 projects said to be undertaken in 2023, covering construction, services, and other sectors, have a combined value of around KWD 264 million (US\$871 million), with Alqabas adding that construction projects this year are worth around KWD 235.2 million (US\$775.5 million).</p> <p>The paper also said, citing a Finance Ministry document, that the construction industry would receive around 311 million Kuwaiti dinars (US\$1.03 billion) of allocated funds (<a href="#">International Construction</a>).</p>
<b>Saudi Arabia</b>	<p><b>February 2023</b></p> <p>The GDP of Saudi Arabia was of 5.4% in the fourth quarter of 2022, while its annual inflation was of 3.3% (<a href="#">Statistics Saudi Arabia</a>).</p> <p><b>March 2023</b></p>	<p><b>December 2022</b></p> <p>The construction industry in Saudi Arabia is expected to expand by 4.9% in real terms in 2022, supported by a rise in oil prices and production levels, coupled with continued progress in the country's diversification plans. According to the General Authority of Statistics</p>

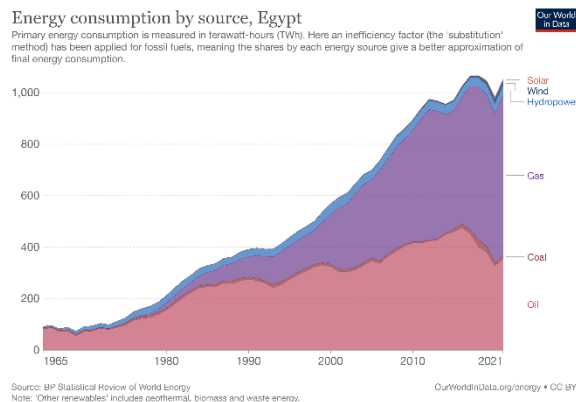
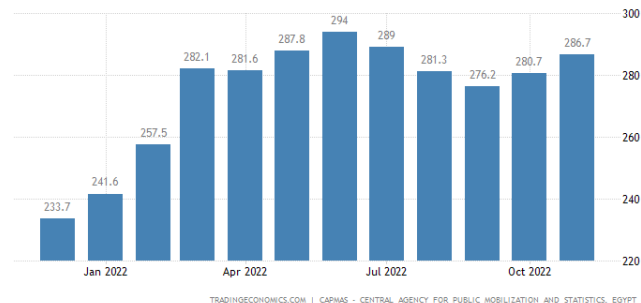
	<p>Saudi Arabia's GDP is projected to be 3.7% in 2023, while the annual inflation will be of 2.2% (<a href="#">IMF</a>).</p> <p>Industrial Production Index (IPI) increased by 6.8% in January 2023, compared to January 2022, according to the publication. This increase mainly originated from the increase in mining, quarrying, and manufacturing activity. Mining and quarrying activity index increased by 3% in January 2023, compared to the same month in the previous year (January 2022). Manufacturing activity also increased by 19.2% in January 2023, compared to January 2022. Electricity and gas supply decreased by 3.4% compared to January 2022, according to the monthly publication (<a href="#">Saudi Arabia Statistics</a>).</p>	<p>(GaStat), the construction industry's value grew by 4.4% YoY in the first half of 2022. Although the industry is expected to remain stable in the second half of this year, downside risks in the short term could arise due to supply chain disruptions, rising wage costs, and the tightening of monetary policy (<a href="#">GlobalData, 2022</a>).</p>
<b>Egypt</b>	<p><b>February 2023</b> The projected GDP for 2023 is of 4% according to the <a href="#">IMF</a>.</p> <p><b>March 2023</b> Egypt's GDP is projected to be 4.4% in 2023, while the annual inflation will be of 12% (<a href="#">IMF</a>).</p>	<p><b>December 2022</b> Investments in the construction sector will support long-term economic growth through improved connectivity and help the country overcome the socioeconomic impact of ongoing crisis. According to a report published by the Ministry of Planning and Economic Development, the country aims to invest an estimated amount of EGP240.7 billion (\$15.3 billion) on the transport sector during the period 2022–23. According to GlobalData, the construction sector expanded by 6.3% in 2021 and is forecast to grow by 6.4% in 2022 and 6.5% in 2023 (<a href="#">GlobalData, 2022</a>).</p> <p><b>March 2023</b> Construction industry in Egypt is expected to grow by 8.9% to reach EGP 535 billion in 2023. Despite near-term challenges in certain construction sectors, medium to long term growth story in Egypt remains intact. The construction industry in Egypt is expected to grow steadily over the next four quarters. The growth momentum is</p>

		<p>expected to continue over the forecast period, of 7.7% during 2023-2027. The construction output in the country is expected to reach EGP 721.0 billion by 2027 (<a href="#">Research&amp;Markets</a>).</p> <p>The Egyptian construction sector is forecast to expand at a compound annual growth rate of 6.6% between 2021 and 2025. Construction output is expected to reach \$44.34 billion by 2025, an Oxford Business Group study states.</p> <p>Contract awards in the Arab nation's construction market could grow by 18% to \$23.5 billion in 2023 from \$19.9 billion in 2022. Data by Ventures Onsite shows the building sector noted the highest value of awards (\$9.7 billion) last year, followed by the industrial (\$5 billion) and infrastructure (\$2.7 billion) sectors.</p> <p>While there is significant opportunity within the sector, real estate and construction companies in Egypt will hope for more favorable macroeconomic factors this year. Material prices are increasing, and imports are becoming more expensive amid currency devaluation, inflation, and supply chain shocks persevering from the Russia-Ukraine war.</p> <p>The Egyptian Central Bank in December 2022 revoked a requirement for importers to secure letters of credit – a decision that was decreed in February 2022 to ease import requirements. Coupled with currency devaluations, the move was restricting importers from securing goods or leading them to source currency from the black market, eventually spiking inflation.</p> <p>Given its high population numbers and low rate of existing urban infrastructure, there are several opportunities for real estate developers and construction planners to find and deliver long-term projects in Egypt.</p> <p>In addition to government spending commitments, the country also has the advantage of being an attractive MENA market for international investors and funding partners. <a href="#">The European Bank for</a></p>
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		<p><u>Reconstruction and Development</u> alone has invested more than \$9.2 billion in 144 projects across Egypt – including an upcoming metro project in Alexandria – since 2012.</p> <p>These opportunities are cause for optimism in Egypt’s construction sector, but its major challenge will be to overcome the negative impact of inflation and currency devaluation in 2023 (<a href="#">Middle East Economy</a>).</p>
Israel	<p><b>January 2023</b></p> <p>Israel GDP is forecasted at 3% in 2023 while inflation is expected to be of 3.6% (<a href="#">IMF, 2022</a>).</p>	<p><b>January 2023</b></p> <p>The construction industry in Israel is expected to grow by 4.1% to reach ILS 1,12,043 million, ending 2022. Despite near-term challenges in certain construction sectors, medium to long term growth story in Israel remains intact. The construction industry in Israel is expected to grow steadily over the next four quarters. The growth momentum is expected to continue over the forecast period, of 3.6% during 2022-2026 (<a href="#">Market Research, 2022</a>).</p> <p>The construction and infrastructure industry in the State of Israel is in deep crisis. There is a shortage in the supply of <u>housing</u>, infrastructure contractors are collapsing, and housing prices are increasing.</p> <p>In the run-up to the government elections, the Fund for the Encouragement and Development of the Construction Industry, through the Israeli Builders Association, presented the leaders of the parties running in the Knesset elections with a comprehensive plan for dealing with the housing crisis.</p> <p>The comprehensive plan contains data, figures, and applicable solutions to save the industry. The plan was produced after much work in collecting data, processing, and understanding the needs of the industry and the steps needed. At the center of the plan is a proposed landmark agreement to the government, to be signed between all parties involved in the industry: government, local authorities and contractors (<a href="#">IBA, 2022</a>).</p>

		<p><b>March 2023</b></p> <p>According to the publisher, construction industry in Israel is expected to grow by 3.9% to reach ILS 116,417 million in 2023. Despite near-term challenges in certain construction sectors, medium to long term growth story in Israel remains intact. The construction industry in Israel is expected to grow steadily over the next four quarters. The growth momentum is expected to continue over the forecast period, of 3.3% during 2023-2027. The construction output in the country is expected to reach ILS 132,570.4 million by 2027 (<a href="#">Research&amp;Markets</a>).</p>
	<b>Raw materials and energy sourcing</b>	<b>Raw materials and energy costs</b>
<b>Saudi Arabia</b>	<p><b>December 2022</b></p> <p>Two elements are pushing prices up in Saudi Arabia:</p> <ul style="list-style-type: none"> <li>- The kingdom's dependence on imported building materials, particularly from China and Europe. While the government has recognized the need to increase their production locally, this is likely to take some time thus the construction industry is likely to remain reliant on imported materials, at least in the short-term.</li> <li>- The high demand because of the construction and building boom in the region (<a href="#">Construction Week, Saudi Arabia, November 2022</a>).</li> </ul>	<p><b>January 2023</b></p> <p>Price rate of oil is currently at \$73,53, in January 2023, which a 1,3% increase compared to December 2022 (<a href="#">Saudi Central Bank, 2023</a>).</p> <p><b>March 2023</b></p> <p>Saudi Arabia's state-controlled oil giant Aramco on Sunday reported a record net income of \$161.1 billion for 2022 — the largest annual profit ever achieved by an oil and gas company. Aramco said net income increased 46.5% over the year, from \$110 billion in 2021. Free cash flow also reached a record \$148.5 billion in 2022, compared with \$107.5 billion in 2021. "This is probably the highest net income ever recorded in the corporate world," Aramco CEO Amin Nasser said on a Sunday earnings call. The results are nearly triple the profit that <u>oil major ExxonMobil</u> posted for 2022, bolstered by soaring oil and gas prices through last year, along with higher sale volumes and improved margins for refined products. Oil and gas prices surged at the start of 2022, with western sanctions on Russia for its invasion of Ukraine</p>

		<p>steadily tightening access to Moscow's supplies, particularly seaborne crude, and oil products.</p> <p>Oil prices have since pulled back more than 25% year-on-year, with hot inflation and rising interest rates overshadowing a more bullish demand outlook from China. Brent and WTI prices fell 6% last week alone. Brent last traded at around \$80 dollars per barrel (<a href="#">CNBC</a>).</p>
<b>Egypt</b>	<p><b>January 2023</b></p> <p>For information: Egypt's energy mix consumption in 2021 (<a href="#">WorldData, 2022</a>).</p>  <p>Energy consumption by source, Egypt</p> <p>Primary energy consumption is measured in terawatt-hours (TWh). Here an inefficiency factor (the 'substitution' method) has been applied for fossil fuels, meaning the shares by each energy source give a better approximation of final energy consumption.</p> <p>Source: BP Statistical Review of World Energy Note: 'Other renewables' includes geothermal, biomass and waste energy.</p> <p>OurWorldinData.org/energy • CC BY</p>	<p><b>January 2023</b></p> <p>Producer prices in Egypt increased to 286.70 points in November from 280.70 points in October of 2022 (<a href="#">Trading Economics, 2022</a>).</p>  <p>TRADINGECONOMICS.COM   CAPMAS - CENTRAL AGENCY FOR PUBLIC MOBILIZATION AND STATISTICS, EGYPT</p>
<b>Israel</b>	<p><b>December 2022</b></p> <p>The impact of the war on Israel is limited to indirect effects of global prices increase in energy and food commodities. Direct trade with Russia and Ukraine only accounts for 1% of Israel's trade balance. Israel is also largely self-sufficient in natural gas, 40% of its total energy supply (<a href="#">OECD, 2022</a>).</p>	<p><b>December 2022</b></p> <p>Despite the decline in raw materials prices, the Construction Inputs Index has soared by 4.4% since the beginning of 2022.</p> <p>The construction materials account for only half of the index, and the crisis in the supply chain and the volatility in the price of fuel prevent buyers from benefiting from the decline in their prices. "These declines need to be put in proportion," explains Nir Yanushevsky, vice president of the Association of Contractors and Builders of the Country. "Steel, for example, has fallen by 33% from</p>

		its peak, but from January 2020 to the present, it has risen by 114%. Transportation prices declined by 39% but increased by 620% since January 2020. We are still at prices three and four times higher than they were prior to the covid-19 crisis" ( <a href="#">IBA, 2022</a> ).
	<b>Public Authorities measures</b>	
<b>Saudi Arabia</b>	<p><b>December 2022</b> The Saudi Central Bank raised its repo rate to 5%. The Saudi repo rate exceeds the November inflation reading of 3%. Saudi Arabia typically follows the US central bank policy as the Riyal is pegged to the dollar (<a href="#">Saudi Central Bank</a>).</p> <p><b>March 2023</b> The Saudi Central Bank raised its repo rate to 5,25% (<a href="#">Saudi Central Bank</a>).</p>	
<b>Egypt</b>	<p><b>January 2023</b> The Central Bank of Egypt raised its key overnight deposit rate to 16.25% in December 2022, well above market expectations since the start of the bank's tightening cycle in March. The central bank noted that major monetary authorities expect inflation to ease next year and that commodity prices have dropped more than their previous forecasts believed. Still, policymakers underscored that many upside risks on global commodity price levels persist and that growth in the Egyptian economy has already pointed to a solid recovery, paving the need for tighter monetary policy. In the meantime, the central bank also raised its overnight lending rate to 17.25% (<a href="#">Central Bank of Egypt, 2022</a>).</p>	
<b>Israel</b>	<p><b>February 2023</b> The president of the Israeli Builders Association, Raul Srugo, was welcomed at the "Savings Plan" in Arc 12 to warn against a rise in the interest rate, saying: "I think the situation today in the world, the last time it was the Second World War. The corona event and the war in Ukraine have changed the physical problems. A halt in supply chains, high energy prices. Therefore, all this leads to an increase in the price of materials and products around the world, and it is not clear that stopping demand by raising interest rates is the way to stop it," he explained. "They raised the interest rate too high. We see that we went to 3.75 at the beginning of the year, when it's 4% at the end of the year. So, what will happen over the course of the year? Will they continue to raise the interest rate above 4%? Where do we go from here?" asked Srugo. "What's happening is that the interest rate increase is a game changer, on the one hand it's stopping demand, people are buying fewer apartments, but on the other hand developers and contractors are also building less. We've seen housing starts drop to 60 apartments a year instead of the 80 expected, so that's bad." (<a href="#">IBA</a>).</p>	

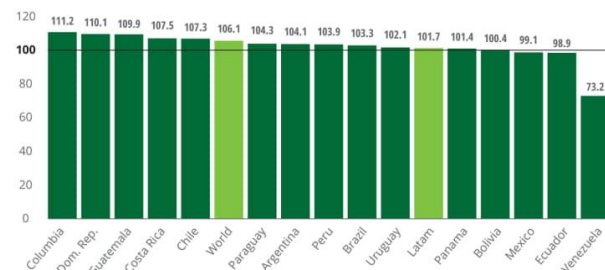
	<p><b>March 2023</b></p> <p><b>A call by the Association of Contractors, Chambers of Commerce, the Manufacturers' Association, and the High-Tech Association to the political system to show courage and sit down for negotiations until the crisis is resolved.</b></p> <p>Raul Srougo, president of the Association of Contractors and Land Builders, said, "The country is torn and ripped apart, the Israeli economy has entered a bad economic spiral due to the uncertainty that could intensify as this situation continues. Today, the greatest danger to the business sector in general, and to the construction and infrastructure industry, is a slowdown in business production, a halt in investments and the inability of business owners to plan their operations in advance. Currently, there is an absolute fixation and automatic preference in the economy to defer activity, investment, and purchases. The price of each day of deferral is enormous and we will all pay it. Our industry alone accounts for a huge share of the activity of the entire economy. On behalf of all those who are active in the construction and infrastructure industry in Israel, I tell you that the top officials of the political system immediately came back and made agreements. You do not have the privilege of letting us all wait any longer, you must speak out and reach an agreed plan before it is too late" (<a href="#">IBA</a>).</p>
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SOUTH & LATIN AMERICA		
	General Facts & Measures	Facts & Measures for Construction
<b>Overview</b>	<p><b>February 2023</b></p> <p>A global economic slowdown will dampen South and Latin America's growth prospects, but a reconfiguration of the global economy following the war in Ukraine may give rise to unexpected opportunities for the region.</p> <p>The far-reaching impacts of the ongoing war in Ukraine, such as persistently high energy and food costs, have further weakened a global economy already reeling under the lingering economic challenges of the COVID-19 pandemic. Most economic forecasts in recent months have reflected this sentiment. The International Monetary Fund, for example, recently downgraded its global growth forecast for 2023 to 2.7%—0.9 percentage points lower than its April 2022 estimate (<a href="#">Deloitte, January 2023</a>).</p>	

FIGURE 1

**Estimated economic growth index in Latam at the end of 2022**

GDP of select Latam countries (2019 = 100)

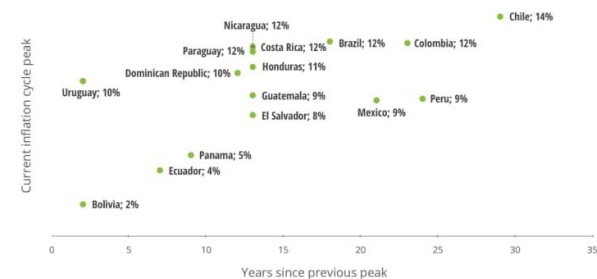


Note: A figure below 100 indicates that GDP has yet to surpass its prepandemic size.

Sources: Econosignal based on official reported data; International Monetary Fund; World Economic Organization.

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FIGURE 3

**Several countries in the region are experiencing inflation rates not seen in decades**

Note: Not pictured—Argentina (83%, 30 years since the previous peak) and Venezuela (4310%, 1 year since the previous peak).

Sources: Various Latam central banks; Central American Monetary Council; Venezuelan Finance Observatory.

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**Argentina****February 2023**

Argentina's monthly inflation in December 2022 was of 5.1%, which represented a 94.8% annual inflation (Central Bank of Argentina).

**March 2023**

The annual GDP is forecasted to be of 2% while the annual inflation will reach 76,2% (a slowdown compared to 2022)(IMF).

**January 2023**

Ending 2022, the construction industry output in Argentina was of -0.5% compared to the previous month, and -1.5% compared to the end of 2021 (Statistics Argentina, 2022).

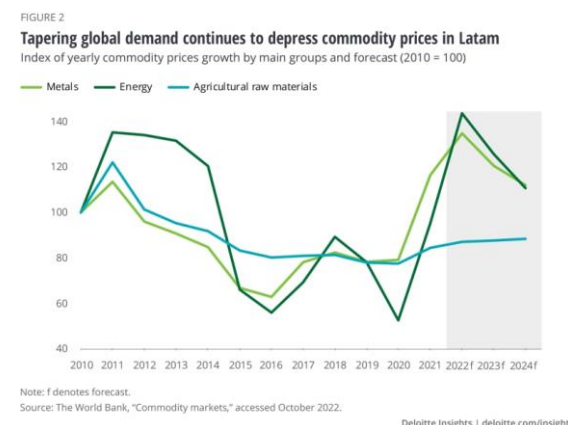
What are the main causes that will lead to a drop in the sector's activity in the period December 2022-February 2023?



Fuente: INDEC, Dirección Nacional de Estadísticas Económicas, Dirección de Estadísticas Mineras, Manufactureras, Energéticas y de la Construcción.

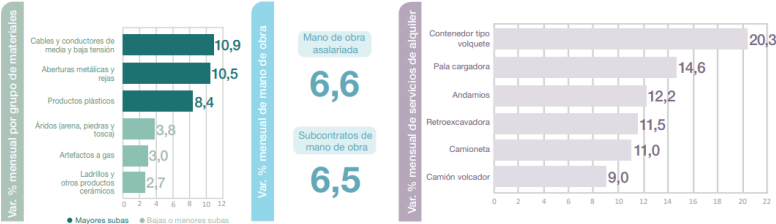
		<p><b>March 2023</b></p> <p>In January 2023, the construction industry output in Argentina was of 2.6% compared to the previous month, and 4.3% compared to the January 2022 (<a href="#">Statistics Argentina</a>).</p> <p>Consumption data for construction inputs in January 2023 show, compared to the same month of the previous year, increases of 26.3% in processed concrete; 15.8% in the rest of the inputs (including taps, seamless steel pipes and glass for construction); 11.4% in gypsum; 10.9% in gypsum boards; 10.4% in granite and limestone mosaics; 9.2% in portland cement; 7.9% in asphalt; 5.0% in construction paints; and 2.7% in round iron and steel for construction. Meanwhile, decreases of 26.0% were observed in ceramic floor and wall tiles; 20.8% in ceramic sanitary ware; 13.5% in hollow bricks; and 8.7% in limes (<a href="#">Statistics Argentina</a>).</p>
<b>Brazil</b>	<p><b>January 2023</b></p> <p>Brazil's GDP is projected to be of 1% in 2023, while inflation should reach the 4.7% according to the IMF projections (<a href="#">IMF</a>).</p> <p><b>March 2023</b></p> <p>The Brazilian GDP was of 2,9% in Q4 2022, while the monthly inflation in February 2023 was of 0,84% (<a href="#">IBGE</a>).</p>	<p><b>February 2023</b></p> <p>The National Index of Civil Construction, released by the IBGE, closed 2022 with an increase of 10.90% in construction costs, second highest rate since 2014 in the payroll-tax exempt series, with a decrease of 7.75 percentage points against 2021 (18.65%). In December, the rate recorded a change of 0.08%, and was 0.07 percentage points below the rate in the previous month (0.15%), having remained on a downward trend in the year and recorded the lowest index since 2022 (<a href="#">IBGE</a>).</p>
<b>Costa Rica</b>	<p><b>January 2023</b></p> <p>Costa Rica's GDP is projected to be of 2.9% in 2023, while its inflation should reach 6.4% (<a href="#">IMF</a>).</p> <p><b>March 2023</b></p> <p>GDP will grow by 2.3% in 2023 and 3.7% in 2024. High inflation and a tight monetary policy stance will hold back private</p>	<p><b>December 2022</b></p> <p>Costa Rica's construction sector has been expanding since January 2022. Indeed, it has been on a constant growth for the past two years. It grew by 6.2% in January 2022, and other sectors are also growing such as water (4.5%) and transport (29.6%) (<a href="#">Bnamericas, March 2022</a>).</p>

	consumption in 2023, and fiscal restraint will contain public spending. Exports will be hampered by weaker global growth in 2023 but gain strength in 2024. Annual inflation peaked at 12% recently but is set to decline to 4.2% in year-average terms by 2024, still above the 3% target ( <a href="#">OECD</a> ).	
<b>Colombia</b>	<b>January 2023</b> Colombia's GDP is projected to be of 2.2% in 2023, while its inflation should reach 7.1% (pick at 9.7% in October 2022)( <a href="#">IMF</a> ).	<b>January 2023</b> GDP from Construction in Colombia increased to 11797.82 COP Billion in the third quarter of 2022 from 11145 COP Billion in the second quarter of 2022 ( <a href="#">Trading Economics</a> ).
<b>Venezuela</b>	<b>January 2023</b> Venezuela's GDP is projected to be of 6.5% in 2023, while the inflation will be at 195% ( <a href="#">IMF</a> ).	
	<b>Raw materials and energy sourcing</b>	<b>Raw materials and energy costs</b>
<b>Overview</b>	<p><b>February 2023</b> Prospects for 2023 are less rosy than those for 2022, as several headwinds cloud the regional outlook. There is an increasing belief that a recession (or a larger slowdown) is set to hit the US economy within the next 12 months: A survey by Bloomberg in October pins the odds of a downturn in the United States at 60%. This has tapered global demand, which in turn has depressed the prices of oil and other commodities (figure 2). For example, compared to 2022 peaks, oil is down 27%, copper 24%, zinc 28%, nickel 33%, silver 25%, gold 14%, wheat 29%, soybeans 10%, and maize 10%.<sup>6</sup> The conspicuous exception is gas, whose price has soared since the start of the war in Ukraine—up 79% in the US market and 109% in Europe (<a href="#">Deloitte, January 2022</a>).</p> <p>There are also opportunities for the region in this economic and political context: Lithium-ion batteries are a key part of the world's clean-energy transition, particularly in the electric car and consumer product industries. An estimated 106,000 metric tons of lithium was mined</p>	





	<p>in 2021 alone—an all-time high and a 258% increase from 2015. And almost half of the world’s lithium comes from a region in the Andes Mountains known as the “Lithium Triangle,” jointly governed by Argentina, Bolivia, and Chile.</p> <p><u>Global lithium production is expected to grow up to 420,000 tons by 2031:</u></p> <ul style="list-style-type: none"> <li>• <b>Chile</b> will more than double its outputs, and Argentina’s production will rise nine-fold to 57,000 tons, making it the second-largest global producer between 2027 and 2028. If these projections materialize for Argentina, the credit will go to increased foreign investment in the sector and better economic policies compared to its neighboring countries.</li> <li>• In addition, <b>Argentina</b> could become the world’s leading exporter as it has 13 projects in its pipeline in different salt-flat brine basins with proven lithium content, more than any other country in the world. Looking to encourage investment, the Argentinian government lowered export taxes for the mining sector. In the coming years, this industry is expected to generate US\$4 billion in exports annually (4.5% of 2022 exports).</li> <li>• Production in <b>Bolivia</b> is not expected to skyrocket despite being the country with the world’s largest resources of the metal. In Bolivia, state control over lithium has long been prioritized. According to the vice minister of Altas Tecnología Energéticas de Bolivia, the country extracted only 0.2 tons of lithium (compared to 6,000 tons by Argentina or 26,000 by Chile in 2021). Chile is currently the world’s second-largest producer of lithium. However, considering the many challenges the country’s mining sector faces, such as increased regulation and protests by environmental and indigenous groups, lithium production is expected to grow at a slower pace in the coming years. Moreover, business confidence is low and many companies, including major Chilean producers, are seeking tax incentives and a friendlier regulatory framework outside the country, especially in Argentina (<u>Deloitte, January 2023</u>).</li> </ul>	
<b>Argentina</b>	<p><b>February 2023</b></p> <p>The wave of sanctions on Russia’s products in the wake of its invasion of Ukraine has opened the door for several Latam countries to step in and supply select commodities to international markets.</p> <p>Vaca Muerta, located in the Patagonia region of Argentina, is the world’s second-largest shale gas reserve and fourth largest in terms of shale oil. Even in a conservative scenario, this reserve alone could position Argentina among the top 20 oil-exporting countries within the next 10 years, may reduce natural gas imports by 60% in the next two years, and would help the country achieve self-reliance in gas in the next 10 years. To realize this potential,</p>	<p><b>January 2023</b></p> <p>Argentina average sales price of Crude Oil data was reported at 444.155 USD/Cub m in November 2022. This records a decrease from the previous number of 446.275 USD/Cub m for October 2022 (<u>CEIC</u>).</p> <p>Prices for steel products have increased by 0.8%, aluminum 2.1%, metals 10.8% and crude oil 2.6% (Q4 2022)(<u>Central Bank of Argentina</u>).</p> <p><b>March 2023</b></p> <p>The Construction price index has increased by 6.2% monthly in January 2023.</p>

	<p>Argentina needs more infrastructure spending to move its natural gas reserves to cities and ports. This is a major challenge since the country has a very unstable macroeconomic environment. However, after various roadblocks—some political in nature—and several years, the much-needed gas pipeline “Nestor Kirchner” will be completed in mid-2023. It is expected to save LNG imports close to US\$3,000 million, which would significantly alleviate the country’s balance of payments.</p> <p>Because of the geopolitical divisions created by the war in Ukraine, the increase in demand for gas from Southeast Asia, and the global transition to cleaner energies, LNG consumption and imports will keep increasing in the near term, which is an opportunity for Argentina to become an important supplier. If a specific regulatory framework is developed in the sector, to protect investors from changes in local legislation and ensure the availability of their dividends, it could raise investments to generate up to US\$27 billion in export revenues starting 2027–29 (30% of projected exports for 2022). In 2022, the cumulative volume of oil exports grew by 178% annually compared to the previous period (<a href="#">Deloitte, January 2023</a>).</p>	<ul style="list-style-type: none"> <li>• <b>Materials: +5.6%</b></li> <li>• <b>Labor force: +6.6%</b></li> <li>• <b>Overheads: +6.8% (<a href="#">Statistics Argentina</a>).</b></li> </ul> 
Brazil		<p><b>January 2023</b></p> <p>In November 2022, prices of industry fell by 0.54% from October. Nine of the 24 activities of industry surveyed recorded positive changes in price against the immediately previous month. On the other hand, 12 activities had recorded higher average prices in October against the previous month.</p> <p>The four main changes were those of other chemicals (-4.41%); tobacco (2.38%); toiletries, soaps, and cleaning products (2.04%); and printing (1.95%).</p> <p>Among the activities, which, in November 2022 recorded the highest cumulative changes in the year, are: pulp and paper</p>

		<p>(19.47%), printing (18.07%), petroleum refining and biofuels (17.50%) and beverages (16.80%)(<a href="#">Statistics Brazil</a>).</p> <p><b>March 2023</b></p> <p>The National System of Costs Survey and Indexes of Construction (Sinapi) hit 0.08% in February, being 0.23 percentage points below the January index (0.31%) and getting back to the same level as in December 2022 (0.08%). The cumulative index in the last 12 months is 9.92%. The index was 0.56% in February 2022.</p> <p>“Nowadays we have reached the same status as before the pandemic. In addition to that, in February, many products which recorded increases during the pandemic, now present decreases. As a highlight, in this situation, is electric cord, structural wooden pieces for roofs and PVC tubes, which fell in the states of Minas Gerais and São Paulo, thus adding to the negative change in these states and in the Southeast Region,” Mr. Oliveira explains.</p> <ul style="list-style-type: none"> <li>- The share of materials changed to 0.10%, a drop of 0.13 percentage points from the preceding month (-0.03%). With this rate we observe a slight increase in comparison with stability of indexes since October last year.</li> <li>- The share of workforce, with a rate of 0.04%, and only one collective agreement observed, fell by 0.77 percentage points in relation to January (0.81%). It is worthy of mention that it is the lowest index recorded since March 2021.</li> </ul> <p>The cumulative result of the last 12 months stood at 8.57% in terms of materials and 11.90% in terms of workforce (<a href="#">IBGE</a>).</p>
<b>Guatemala</b>	<p><b>December 2022</b></p> <p>One of the advantages of the country is the supply of raw materials and construction equipment. Indeed, according to Import Statistics Guatemala imported more than 1 billion in construction materials (an increase of 40% compared to 2020),</p>	

	which is why they were able to be protected from the consequences of the Ukrainian war ( <a href="#">International Trade Administration, August 2022</a> ).	
	<b>Public Authorities measures</b>	
<b>Overview</b>	<p><b>December 2022</b> The CEPAL proposed an idea in September 2022 of investing 2.6% of regional GDP annually over the next ten years to universalize access to essential drinking water, sanitation, and electricity services; therefore, it could create up to 4.1 million direct green jobs per year, reducing pollution and incentivize to use of renewable energy (<a href="#">CEPAL, September 2022</a>).</p> <p>One of the advantages of the region was the supply of raw materials and construction equipment. Indeed, according to Import Statistics Guatemala imported more than 1 billion in construction materials (an increase of 40% compared to 2020), which is why they were able to be protected from the consequences of the Ukrainian war (<a href="#">International Trade Administration, August 2022</a>).</p>	
<b>Colombia</b>	<p><b>January 2023</b> The Central Bank of Colombia raised its benchmark interest rate to 12% in December, in line with market expectations, pushing borrowing costs to the highest since 2001 after inflation continued to accelerate in November. The annual inflation rate accelerated for the sixth straight month to 12.53% in November, the highest since March 1999 and above market expectations (<a href="#">Trading Economics</a>).</p>	
<b>Costa Rica</b>	<p><b>December 2022</b> Costa Rica could be exempted from the increase in energy costs, particularly thanks to its green points. Indeed, the country has just succeeded in producing 100% of its electricity thanks to renewable energies for more than two months in 2019. Costa Rica has already set the goal of becoming the first carbon neutral country by 2022. For these two months, they had focused on their main energy source: water and have been developing hydraulic electricity even in rural zones of the country which allows 98% of the population to have access to water. Moreover, the government had also invested in geothermic equipment especially in 2014, with more than 950 million invested in geothermic equipment near the Rincon de la Vieja volcano (<a href="#">EDF, ENR, August 2019</a>).</p> <p><b>March 2023</b> Adherence to the fiscal rule is assumed to keep public spending in check, making it possible to meet the government's fiscal targets over the projection horizon. Central government net lending is projected to fall to 4% in 2022, 2.6% in 2023 and 2.2% in 2024. Under these assumptions, public debt will peak at around 70% in 2022 before starting to decline. Monetary policy tightening is assumed to continue until the end of 2022 with the policy rate reaching 9%. Monetary policy is assumed to start easing in late 2023 with the inflation rate nearing the upper bound of the 2-4% inflation tolerance band. The policy rate is expected to be cut by 50 basis points in 2023Q4 and</p>	

	2024Q1, and by 25 basis points in each of the following three quarters, reaching 7.25% by 2024Q4 ( <a href="#">OECD</a> ).
<b>Guatemala</b>	<b>January 2023</b> Guatemala Central Bank decided on a 3.75% interest rate in November 2022 (1.75% in April 2022)( <a href="#">Central Bank of Guatemala</a> ).

ASIA		
	General Facts & Measures	Facts & Measures for Construction
<b>Overview</b>	<p><b>January 2023</b></p> <p>The construction output in Northeast Asia is forecast to record a 4.2% growth and reach \$4.71 trillion in 2022 compared to \$4.52 trillion in 2021. It will account for 39% of the projected \$12.19 trillion of global output this year. However, the growth of construction output in Northeast Asia in 2022 has been revised downwards by 0.8% this quarter, due to the slowing construction activities across the region. GlobalData reveals that only China, Taiwan and Japan recorded real construction output growth in 2021. The remaining construction industries of the region recorded a second successive contraction last year (pandemic results). Out of the construction industries which contracted last year, only South Korea is expected to recover to its pre-pandemic output this year (<a href="#">GlobalData, 2022</a>).</p> <p><b>March 2023</b></p> <p>Three main headwinds continue to hamper recovery in developing Asia: recurrent lockdowns in the People's Republic of China, the Russian invasion of Ukraine, and slowing global growth. Growth forecasts for the region are revised down from 4.3% to 4.2% in 2022 and from 4.9% to 4.6% in 2023.</p> <p>East Asia's growth forecasts are revised down to 2.9% in 2022—due to the mobility restrictions mentioned above plus deep contraction in Hong Kong, China—and down to 4.0% in 2023.</p> <p>The South Asian forecast for 2022 is maintained at 6.5% but revised down marginally for 2023 from 6.5% to 6.3% following a slowdown in Bangladesh and flooding in Pakistan.</p> <p>The 2022 forecast for Southeast Asia is upgraded from 5.1% to 5.5% on robust consumption and tourism recovery in Malaysia, the Philippines, Thailand, and Viet Nam. The 2023 forecast is revised down to 4.7% as global demand weakens.</p> <p>Growth prospects in the Caucasus and Central Asia are adjusted up from 3.9% to 4.8% in 2022 as spillover from the Russian invasion of Ukraine</p>	

	<p>has been more benign than expected. The growth forecast for the Pacific in 2022 is also revised up, from 4.7% to 5.3% on a strong tourism rebound in Fiji.</p> <p>Regional inflation forecasts are revised down slightly for 2022 from 4.5% to 4.4% but upgraded for 2023 from 4.0% to 4.2%. Even with outlook deterioration, developing Asia will grow more than other regions and suffer less inflation than most (<a href="#">Asian Development Bank</a>).</p>	
<b>China</b>	<p><b>February 2023</b></p> <p>China's economy is set to rebound this year as mobility and activity pick up after the lifting of pandemic restrictions, providing a boost to the global economy. The economy will expand 5.2% this year, according to our <u>latest projections</u>, versus 3% last year. That's good news for China and the world as the Chinese economy is now expected to contribute a quarter of global growth this year (<a href="#">IMF</a>).</p> <p>In 2022, annual inflation was of 2% in China (<a href="#">IMF</a>).</p> <p><b>March 2023</b></p> <p>According to preliminary estimation, the GDP in 2022 was 121,020.7 billion yuan, up by 3.0% over the previous year. Of this total, the value added of the primary industry was 8,834.5 billion yuan, up by 4.1% over the previous year, that of the secondary industry was 48,316.4 billion yuan, up by 3.8% and that of the tertiary industry was 63,869.8 billion yuan, up by 2.3%.</p> <p>In terms of different sectors, the profits of mining were 1,557.4 billion yuan, up by 48.6% over the previous year; those of manufacturing were 6,415.0 billion yuan, down by 13.4%; and those of the production and supply of</p>	<p><b>February 2023</b></p> <p><u>China Construction Industry Report 2022: Chinese Government Plans to Pump \$1 Trillion into the Construction of Infrastructure Megaprojects - Forecast to 2026</u></p> <p>The construction industry in China is expected to grow by 8.5% to reach CNY 9,508 billion in 2022. The growth momentum is expected to continue over the forecast period, recording a growth of 7.3% during 2022-2026. The construction output in the country is expected to reach CNY 12,582.5 billion by 2026 (<a href="#">Global News Wire</a>).</p> <p><b>March 2023</b></p> <p>In 2022, the value added of construction enterprises in China was 8,338.3 billion yuan, up by 5.5% over the previous year. The profits made by construction enterprises qualified for general contracts and specialized contracts reached 836.9 billion yuan, down by 1.2% over the previous year, of which the profits made by state-holding enterprises were 392.2 billion yuan, up by 8.4% (<a href="#">Statistics of China</a>).</p>

	<p>electricity, heat power, gas and water were 431.5 billion yuan, up by 41.8% (<a href="#">Statistics of China</a>).</p>	<p><b>Figure 10: Value Added and Growth Rates of Construction Industry 2018-2022</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Value added (100 million yuan)</th> <th>Growth rate over the previous year (%)</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>65493</td> <td>4.8</td> </tr> <tr> <td>2019</td> <td>70648</td> <td>5.2</td> </tr> <tr> <td>2020</td> <td>72445</td> <td>2.7</td> </tr> <tr> <td>2021</td> <td>78741</td> <td>1.1</td> </tr> <tr> <td>2022</td> <td>83383</td> <td>5.5</td> </tr> </tbody> </table>	Year	Value added (100 million yuan)	Growth rate over the previous year (%)	2018	65493	4.8	2019	70648	5.2	2020	72445	2.7	2021	78741	1.1	2022	83383	5.5
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India	<p><b>February 2023</b> Projections for India's GDP are now of 6.1% for 2023 (<a href="#">Statistics of India</a>).</p>	<p><b>February 2023</b> The Indian construction industry is expected to receive a significant boost in 2023, supported by a sharp increase in capital expenditure as part of the Financial Year (FY) 2023/2024 Budget, says <a href="#">GlobalData</a>, a data and analytics company. In its latest budget, the government increased its total expenditure by 7.5%, from an estimated expenditure of INR41.9 trillion (\$522.2 billion) in FY2022/2023 to INR45 trillion (\$561.6 billion) in FY2023/2024. The capital investment outlay for FY2023/2024 is equivalent to 3.3% of the country's GDP and is nearly three times the outlay made in FY2019/2020.  Pooja Dayanand, Analyst at GlobalData, comments: "The sharp increase in capital investment is in line with the government's focus on boosting economic growth and increasing job creation, through investment in infrastructure development. The increase in funding will also be necessary for assisting ministries in implementing projects that have been delayed by constraints such as rising interest rates and construction material prices, and labour shortages."  The budget is based on seven key priorities, including inclusive development,</p>																		

		<p>reaching the last mile, infrastructure and investment, and green growth. As part of the latest budget, the government increased its allocation to the state-owned National Highways Authority of India (NHAI) by 14% to INR1.6 trillion (\$20.2 billion). It had also announced a record-high capital outlay of INR2.4 trillion (\$29.9 billion) for the Ministry of Railways (<a href="#">GlobalData</a>).</p> <p><b>March 2023</b>  India is pumping up its infrastructure spending, a move the government says will create much-needed jobs.  At the annual budget announcement in February, the finance ministry said it will be <u>pumping up capital expenditure by 33% to 10 trillion rupees (\$120.96 billion)</u>, as India <u>is set to be the world's fastest growing economy</u>.  However, economists who spoke to CNBC aren't so optimistic. They say the number of jobs that can be created from a surge in infrastructure investments may be fewer than the government expects.  Employment in India is divided into different sectors: organized and unorganized. Businesses in the organized sector are often licensed by the government and pay taxes. Employees are usually full-time staff and have a consistent monthly salary. Companies in the unorganized sector are usually not registered with the government and employees work ad hoc hours with irregular salaries.  When people in India are "too poor not to work," they'll result in doing "residual work" with very low incomes such as driving rickshaws, carrying luggage, or even selling vegetables on the street, Kumar said.  According to Kumar, the organized sector only makes up 6% of India's workforce. On the other hand, 94% of jobs are in the unorganized sector — with half the jobs in agriculture.  As India's infrastructure sector becomes more reliant on technology and automation, the upcoming boom in projects will create jobs for the organized sector, Kumar said. A lack of investments in the unorganized sector hence leaves many stuck with unstable jobs without a fixed income (<a href="#">CNBC</a>).</p>
Japan	<b>February 2023</b> The Japanese GDP is expected to be of 1.8% in 2023 ( <a href="#">IMF</a> ).	<b>January 2023</b> The Japanese construction industry is forecast to grow by 3.2% in 2022, after



	<p>Annual inflation was of 4% in December 2022 (<a href="#">Statistics of Japan</a>).</p> <p><b>March 2023</b> The IMF revised down its GDP forecast for Japan, with a 1,6% GDP for 2023, and a 1,6% annual inflation (<a href="#">IMF</a>).</p>	<p>expanding by an estimated 4% in 2021. Over the remainder of the forecast period, the industry is expected to record an annual average growth of 0.8% between 2023 and 2026, supported by investments in the renewable energy, telecommunication, and manufacturing sectors (<a href="#">Businesswire, 2022</a>).</p> <p><b>March 2023</b> According to the publisher, construction industry in Japan is expected to grow by 4.6% to reach JPY 35,516 billion in 2023. Despite near-term challenges in certain construction sectors, medium to long term growth story in Japan remains intact. The construction industry in Japan is expected to grow steadily over the next four quarters. The growth momentum is expected to continue over the forecast period, of 3.8% during 2023-2027. The construction output in the country is expected to reach JPY 41,240.9 billion by 2027 (<a href="#">Research and Markets</a>).</p>
<b>South Korea</b>	<p><b>February 2023</b> The inflation increased by 0.8% from the preceding month and rose 5.2% from the same month of the previous year (<a href="#">Statistics Korea</a>). The GDP is expected to be of 1,7% in 2023 (<a href="#">IMF</a>).</p> <p><b>March 2023</b> The IMF reviewed its forecasts for 2023: Korea's GDP is expected to be of 2% while the annual inflation will be of 3.8% (<a href="#">IMF</a>).</p>	<p><b>December 2022</b> Construction output in South Korea increased 3,9% in September 2022, compared to the September 2021 (<a href="#">Trading Economics, 2022</a>).</p>
	<b>Raw materials and energy sourcing</b>	<b>Raw materials and energy costs</b>
<b>China</b>	<p><b>January 2023</b> In November, the policy of ensuring supply and prices of energy has been vigorously promoted, and the advanced energy production capacity has been released in a steady manner. The production of raw coal, crude oil, natural gas, and electric power of industries above designated size kept a year-on-year growth. Compared with October, the growth rate of raw coal and crude oil accelerated, while</p>	<p><b>February 2023</b> In mid-January 2023, according to the monitoring of the market prices of 50 kinds of important means of production in 9 categories in the national circulation field, the prices of 33 kinds of products increased, 14 kinds decreased, and 3 kinds kept at the same level, compared with that in early January 2023, among them:</p> <ul style="list-style-type: none"> <li>• Metal +1.1%;</li> <li>• Chemical products -0.6%;</li> </ul>

	<p>that of natural gas and electric power was slowed down. To keep warm and supply this winter, raw coal producers continue to increase production and supply. In November, 390 million tons of raw coal were produced, a year-on-year increase of 3.1% (<a href="#">Statistics of China, 2022</a>).</p>	<ul style="list-style-type: none"><li>• Natural gas -6.7%;</li><li>• Coal +2%;</li><li>• Petroleum +3.5% (<a href="#">Statistics of China</a>).</li></ul> <p><b>March 2023</b> Ending February 2023, according to the monitoring of the market prices of 50 kinds of important means of production in 9 categories in the national circulation field, the prices of 14 kinds of products increased, 34 kinds decreased, and 2 kinds kept at the same level, compared with that in early January 2023, among them. Among them, year-on-year price index changes (<a href="#">Statistics of China</a>):</p> <table><tr><td>Fuel and Power</td><td>7.2</td></tr><tr><td>Ferrous Metals</td><td>-7.8</td></tr><tr><td>Non-ferrous Metal Materials and Wires</td><td>-1.8</td></tr><tr><td>Chemical Raw Materials</td><td>-4.7</td></tr><tr><td>Wood and Pulp</td><td>4.2</td></tr><tr><td>Building Materials and Non-metallic</td><td>-5.3</td></tr><tr><td>Other Industrial Raw Materials and Semi-products</td><td>0.3</td></tr></table>	Fuel and Power	7.2	Ferrous Metals	-7.8	Non-ferrous Metal Materials and Wires	-1.8	Chemical Raw Materials	-4.7	Wood and Pulp	4.2	Building Materials and Non-metallic	-5.3	Other Industrial Raw Materials and Semi-products	0.3
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Building Materials and Non-metallic	-5.3															
Other Industrial Raw Materials and Semi-products	0.3															
India	<p><b>December 2022</b> The direct impact of Russia and Ukraine’s war is rather small in India. Russia accounts for less than 1% of India’s crude oil consumption and less than 1% of coal consumption. However, the indirect impact of the war on worldwide energy and commodity is having many impacts on India: in 2021, India imported 88% of its crude oil consumption, and 29% of its coal consumption (<a href="#">OECD, 2022</a>).</p> <p><b>March 2023</b> <b>Coal</b> - Coal production increased by 13.4% in January 2023 over January 2022.</p>	<p><b>January 2023</b> The price index for Fuel and Power group increased by 2.84% to 159.6 (provisional) in November 2022 from 155.2 (provisional) for the month of October 2022. Prices of Mineral Oils (3.61%) and Electricity (2.42%) increased in November 2022 as compared to October 2022 (<a href="#">Office of the Economic Advisor, 2022</a>).</p> <p><b>February 2023</b> Fuel and power prices have increased by 18,09% between December 2021 and December 2022:</p> <ul style="list-style-type: none"><li>• Crude Petroleum &amp; Natural Gas prices declined by 10.81% in December 2022 as compared to November 2022.</li><li>• Prices of Electricity increased by 9.51% in December 2022 as compared to November 2022.</li></ul>														

<p><b>Crude Oil</b> - Crude Oil production declined by 1.1% in January 2023 over January 2022. Its cumulative index declined by 1.3% during April to January, 2022-23 over the corresponding period of previous year.</p> <p><b>Natural Gas</b> - Natural Gas production increased by 5.3% in January 2023 over January 2022.</p> <p><b>Petroleum Refinery Products</b> - Petroleum Refinery production increased by 4.5% in January 2023 over January 2022. Its cumulative index increased by 5.4 per cent during April to January, 2022-23 over the corresponding period of previous year.</p> <p><b>Steel</b> - Steel production increased by 6.2% in January 2023 over January 2022.</p> <p><b>Cement</b> - Cement production increased by 4.6% in January 2023 over January 2022.</p> <p><b>Electricity</b> - Electricity generation increased by 12.0% in January 2023 over January 2022 (<a href="#">Office of the Economic Advisor</a>).</p> <p>India will secure oil from anywhere if the terms are beneficial, India's energy minister told CNBC. India is the <u>third largest oil consumer</u> in the world, and according to Hardeep Singh Puri, accounts for 30% of global consumption". Today we feel confident that we'll be able to use our market to source from wherever we must, from</p>	<ul style="list-style-type: none"> <li>Prices of Mineral Oils declined by 4.64% in December 2022 as compared to November 2022 (<a href="#">Statistics India</a>).</li> </ul>
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	<p>wherever we get beneficial terms,” the minister told CNBC’s Tanvir Gill on “Squawk Box Europe,” as part of India’s energy week. India has been buying Russian oil at a steep discount since global powers-imposed sanctions on the Kremlin in a bid to cut down its ability to raise funds for its war against Ukraine. India’s oil imports jumped to a five-month record in December 2022 as the country actively ramped up its purchases of Russian crude, <a href="#">according to Reuters</a>. The report also said that some 70% of January cargoes of Russian oil are going to India, and that the South Asian country is the top buyer of Moscow’s Ural grade oil for several months now. “We didn’t allow the geopolitical turbulence or the pandemic or anything else to come in the way of our ability to supply to our consumer,” Puri added (<a href="#">CNBC</a>).</p>	
Japan	<p><b>December 2022</b> The dependance in Russia for fossil fuels is low (11%, 9% and 4%, respectively for coal, natural gas, and oil). Since 2022, Japan reduces continually its Russian importations (<a href="#">OECD, 2022</a>).</p>	<p><b>March 2023</b> The industry ministry plans to reduce increases in household electricity bills given the recent decline in fuel import prices, people familiar with the matter have said. Seven utilities have applied for the ministry's approval to hike regulated household electricity rates by 28% to 45%, citing surging fuel costs on the back of Russia's invasion of Ukraine and the yen's sharp depreciation. Tohoku Electric Power, Hokuriku Electric Power, Chugoku Electric Power, Shikoku Electric Power, and Okinawa Electric Power hope to raise rates from April and Tokyo Electric Power Company Holdings Inc. and Hokkaido Electric Power in June. But strict screening of their applications would push back the hikes. The firms calculated rate increase margins based on the average fuel costs three months prior to their applications. Specifically, Tohoku, Hokuriku, Chugoku, Shikoku and Okinawa took into account the average costs for July-September last year, while Tepco used August-October average costs and Hokkaido for September-November.</p>

		<p>However, an expert panel with the Electricity and Gas Market Surveillance Commission found it would be more appropriate to use the average costs for the three months through January this year (2023).</p> <p>After recalculations using the November-January average, the initially figured hikes became smaller at all utilities.</p> <p>The proposed hikes based on peak fuel prices have drawn strong backlash from the public (<a href="#">The Japan Times</a>).</p>
<b>South Korea</b>	<p><b>December 2022</b></p> <p>The direct impact of Russia and Ukraine's war is minimal on South Korea (not having direct ties with them). However, South Korea suffers from the worldwide inflation, especially on the semi-conductors' products (<a href="#">OECD, 2022</a>).</p>	<p><b>January 2023</b></p> <p>South Korea will raise electricity prices for the first quarter of 2023 by 13.1 won per kilowatt-hour, a 9.5% increase that is the highest in four decades. The Korea Electric Power Corp (KEPCO) is expected to post a deficit of more than 30 trillion won (\$23.73 billion) in 2022, after a 6 trillion won deficit in 2021, due to a rise in global energy prices that had not been reflected in domestic prices (<a href="#">Reuters, 2022</a>).</p>
<b>Public Authorities measures</b>		
<b>China</b>	<p><b>December 2022</b></p> <p>Supportive measures will be taken to mitigate the general price increase, among them the cut in taxes and charges (<a href="#">OECD, 2022</a>).</p>	
<b>India</b>	<p><b>December 2022</b></p> <p>As the energy and food commodities account for 53% of the consumer price basket, the government put in place measures such as cutting the central excise duties on petrol and diesel, and import duties on coal (<a href="#">OECD, 2022</a>).</p> <p><b>March 2023</b></p> <p>The Reserve Bank of India raised its key repo rate to 6.5% during its February 2023 meeting, the sixth-rate hike in a row, amid easing inflation prompted by moderation in food prices. The annual inflation rate slowed to a 1-year low of 5.72% in December 2022 and stayed below the Reserve Bank of India target of 2%-6% for the second straight month. The board lowered its inflation forecast for fiscal year 2023 to 6.5% from 6.7% and revised India's GDP growth to 7% from 6.8%. For the next fiscal year, the board projected inflation to ease further to 5.3% with an economic growth rate of 6.4% (<a href="#">Trading Economics</a>).</p>	
<b>Japan</b>	<p><b>December 2022</b></p> <p>To cope with the surge in energy prices, the Government introduced a new subsidy in March 2022, for fuel wholesalers, to moderate the fuel price increase (<a href="#">OECD, 2022</a>).</p>	

	<p><b>March 2023</b></p> <p>The Bank of Japan (BoJ) maintained its short-term interest rate at -0.1% and that for 10-year bond yields around 0% during its January meeting by a unanimous vote. The central bank also kept its 0.5% cap for bond buying, defying market speculation, and signaling that policymakers aren't seeking a looser grip on bond yields after the unexpected tweak of the yield curve control range in December. Meanwhile, in a quarterly outlook report, the board cut its 2022 GDP growth forecast slightly to 1.9% from 2.0%, citing slowdowns in overseas economies and high commodity prices. For 2023, the bank slashed its GDP outlook to 1.7% from 1.9%. The inflation remained unchanged, standing around 3% in 2022 and projected 1.6% in 2023. The BoJ reiterated it would take extra easing measures if needed while expecting short-and long-term policy interest rates to stay at their present or lower levels (<a href="#">Trading Economics</a>).</p>
South Korea	<p><b>December 2022</b></p> <p>To lighten the impact of inflation on businesses and individuals, the government decided to cut tax by 20% on gasoline and diesel, and 30% on liquified gas. Meanwhile, the central bank of South Korea rose the interest rates, from 0,75% to 1,75% (expected to be of 2,5% by the end of 2023)(<a href="#">OECD, 2022</a>).</p> <p><b>March 2023</b></p> <p>South Korea's central bank said the lagged effects of its aggressive streak of monetary tightening would have a bigger negative impact on economic growth this year than in 2022.</p> <p>The Bank of Korea (BOK) estimated that its 300 basis points of rate increases in the current tightening cycle would drag down the country's economic growth rate by 1.4 percentage points in 2023, compared with 0.9 percentage points last year.</p> <p>They are expected to lower consumer inflation by 1.3 percentage points this year, versus 0.4 percentage points a year before, according to the central bank's quarterly monetary policy report (<a href="#">Reuters</a>).</p>

OCEANIA		
	General Facts & Measures	Facts & Measures for Construction

Australia	<p><b>February 2023</b> In December 2022, the annual inflation was of 7.8% in Australia (<a href="#">Australian Bureau of Statistics</a>).</p> <p><b>March 2023</b> The GDP was of 3.7% in 2022, and a growth of 0.5% was registered between December 2022 and January 2023 (<a href="#">Australian Bureau of Statistics</a>).</p>	<p><b>February 2023</b> In the fourth quarter of 2022, in engineering construction:</p> <ul style="list-style-type: none"> <li>Seasonally adjusted work done rose 3.5%.</li> <li>Seasonally adjusted work done for the private sector rose 4.5%.</li> <li>Value of work commenced rose 87.4% in original terms.</li> <li>Trend work done rose 0.8% (<a href="#">Australian Bureau of Statistics</a>).</li> </ul> <p>In the fourth quarter of 2022, in building construction:</p> <ul style="list-style-type: none"> <li>Total dwelling commencements fell 5.2% to 45,489 dwellings.</li> <li>New private sector house commencements fell 4.9% to 28,895 dwellings.</li> <li>New private sector other residential commencements fell 5.2% to 15,618 dwellings.</li> <li>The value of building work done rose 1.5% to \$30.6 billion (<a href="#">Australian Bureau of Statistics</a>).</li> </ul> <p><b>March 2023</b> Between December 2021 and December 2022, the turnover of construction industry increased by 13.9%. While between November and December 2022, it increased by 2.2% (<a href="#">Australian Bureau of Statistics</a>).</p> <p>In seasonally adjusted terms in the December quarter:</p> <ul style="list-style-type: none"> <li>Total construction work done fell 0.4% to \$55,272.0m</li> <li>Building work done fell 1.6% to \$30,578.6m</li> <li>Engineering work done rose 1.0% to \$24,693.5m</li> </ul> <p>The trend estimates for total construction work done rose 0.9% in December (<a href="#">Australian Bureau of Statistics</a>).</p>
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#### Value of construction work done, chain volume measures

	Dec 22 (\$m)	Sep 22 to Dec 22 (%)	Dec 21 to Dec 22 (%)
Seasonally adjusted estimates(a)			
Building	30,578.6	-1.6	-1.4
Residential	18,438.2	0.9	-1.8
Non-residential	12,140.3	-5.1	-0.8
Engineering	24,693.5	1.0	4.3
<b>Total construction</b>	<b>55,272.0</b>	<b>-0.4</b>	<b>1.0</b>
Trend estimates(a)			
Building	30,637.5	-0.2	-1.6
Residential	18,232.8	0.0	-3.8
Non-residential	12,404.4	-0.4	2.0
Engineering	24,678.6	2.2	5.4
<b>Total construction</b>	<b>55,347.6</b>	<b>0.9</b>	<b>1.5</b>

a. Reference year for Chain Volume Measures is 2020-21.

#### Employment in Australia's construction industry is reported to have hit its highest level on record, says data from the Australian Bureau of Statistics.

The data shows that the seasonally adjusted number of workers employed throughout Australia's building and construction sector rose by 15,600 from a previous high of 1.27 million in August to a new record of 1.28 million in November. At this level, construction employment was estimated to be 12% higher compared with levels seen twelve months earlier in November 2021.

According to the report, in professional occupations, roles across construction management, engineering management, urban and regional planning, civil engineering, industrial/mechanical/production engineering, mining engineering and other engineering are said to have recorded their highest November readings.

The report also highlighted those vacancies for plumbers, electricians and electronic trade workers registered their highest November reading since detailed records began in 2006.

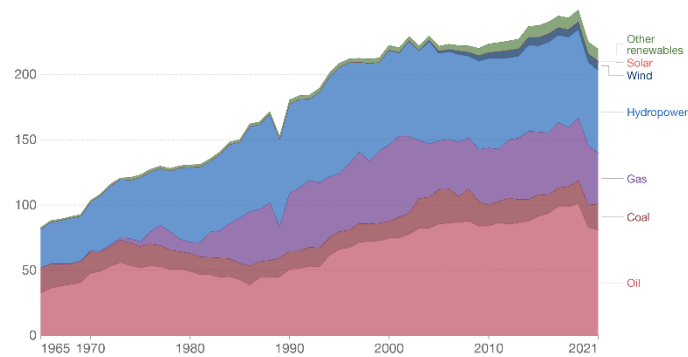


		Finally, in terms of laboring roles, vacancies for crane/hoist/lift operators, earthmoving plant operators, forklift drivers and other mobile plant operators registered their highest November reading on record ( <a href="#">International Construction</a> ).
<b>New Zealand</b>	<p><b>February 2023</b> Annual inflation has reached 7.2% in 2022 (<a href="#">New Zealand Statistics</a>).</p> <p><b>March 2023</b> The IFM forecasts a GDP of 1.9% in 2023, and an annual inflation of 3.9% (<a href="#">IMF</a>).</p>	<p><b>January 2023</b> The construction industry in New Zealand contracted contract by 1.0% in 2022, as the industry struggles from similar issues faced by the Australian construction industry. The New Zealand construction industry was weak in H1 2022, with activity contracting by 2.5% YoY. Leading indicators suggest construction activity improved in the second half of the year (<a href="#">GlobalData, 2022</a>).</p> <p><b>March 2023</b> The volume of building activity fell 1.6% in the December 2022 quarter, compared with the September 2022 quarter, Stats NZ said. The volume of residential building work fell 2.6%, while non-residential building work rose 0.4%, over the same period. “Residential building activity eased in the December 2022 quarter, leading to the first fall in the total volume of building work since the COVID-19-impacted September 2021 quarter,” construction statistics manager Michael Heslop said. The value of building work put in place was \$34 billion in the year ended December 2022. This is up 20% compared with the year ended December 2021. The building types that contributed most to this increase were:</p> <ul style="list-style-type: none"> <li>• offices, administration, and public transport buildings at \$1.7 billion (up 46%)</li> <li>• storage buildings at \$1.6 billion (up 40%)</li> <li>• factories and industrial buildings at \$1.6 billion (up 33%).</li> </ul> <p>In the past 12 months residential construction costs increased 13% and non-residential costs increased 10% (<a href="#">New Zealand Statistics</a>).</p>
	<b>Raw materials and energy sourcing</b>	<b>Raw materials and energy costs</b>
<b>Australia</b>	<p><b>December 2022</b> Australia had already banned the import of petroleum, oil, coal, and gasoline, as well as alumina and bauxite, in July.</p>	<p><b>February 2023</b> <b>The producer costs were 5.8% higher in 2022 than in 2021:</b></p>

	<p>Since October 2022, Australia has banned the import of Russian gold and is having trouble in importing fertilizers due to its dependence on Ukraine and Russia. Shipping costs have also increased not only because of the war but also because of the disruptions related to covid, which are still being felt (<a href="#">Journal of Québec, March 2022</a>).</p>	<ul style="list-style-type: none"> <li>• Output of building construction (+1.6%), due to ongoing supply chain disruptions for imported products, coupled with high demand for finishing stage materials and skilled labour shortages.</li> <li>• Heavy and civil engineering construction (+1.5%), due to increased costs for diesel and strong demand for skilled labour.</li> <li>• Computer and electronic equipment manufacturing (+4.2%) due to exchange rate impacts.</li> </ul> <p>Offsetting the rise were price falls in:</p> <ul style="list-style-type: none"> <li>• Petroleum refining and petroleum fuel manufacturing (-10.0%), due to a fall in global crude oil prices and a rise in global fuel production.</li> <li>• Electricity supply; gas supply; and water supply, sewerage and drainage services (-2.6%), due to a fall in industrial electricity prices following a decrease in wholesale prices (<a href="#">Australian Bureau of Statistics</a>).</li> </ul> <p><b>March 2023</b>  Benchmark power prices for hundreds of thousands of Australians are set to rise by more than 20% within months as the enormous costs from last year's energy crisis flow through to consumers' bills.  Following increases of up to 18.3% last year, electricity price caps in several states are expected to jump by an even greater amount under changes set to come into effect from July.  The Australian Energy Regulator will soon hand down a draft decision setting out increases to so-called default market offers (DMOs), which are the maximum prices retailers can charge customers on standing arrangements. It is understood the draft decision will propose increases of at least 20% (<a href="#">abc news</a>).</p>
<b>New Zealand</b>	<b>Energy mix</b>	<p><b>January 2023</b>  Producer output and input prices have increased in the September 2022 quarter: prices received by producers of goods and services (outputs) increased by 1.6% compared with the June 2022 quarter. Prices paid by producers of goods and services (inputs) increased by 0.8% over the same period (<a href="#">Statistics New Zealand</a>).</p>

### Energy consumption by source, New Zealand

Primary energy consumption is measured in terawatt-hours (TWh). Here an inefficiency factor (the 'substitution' method) has been applied for fossil fuels, meaning the shares by each energy source give a better approximation of final energy consumption.



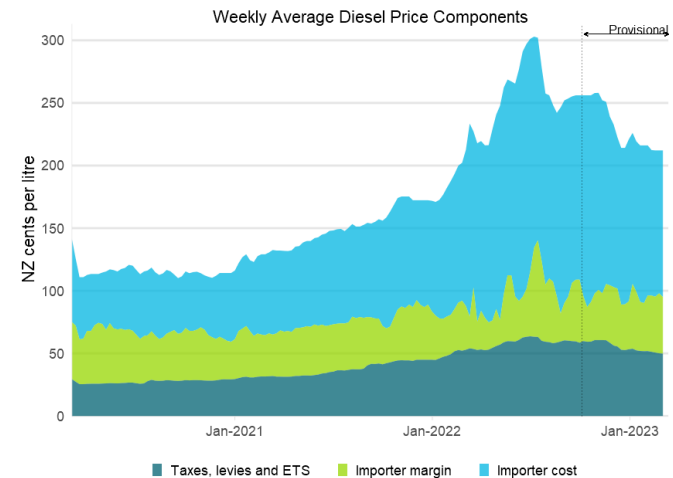
Source: BP Statistical Review of World Energy

Note: 'Other renewables' includes geothermal, biomass and waste energy.

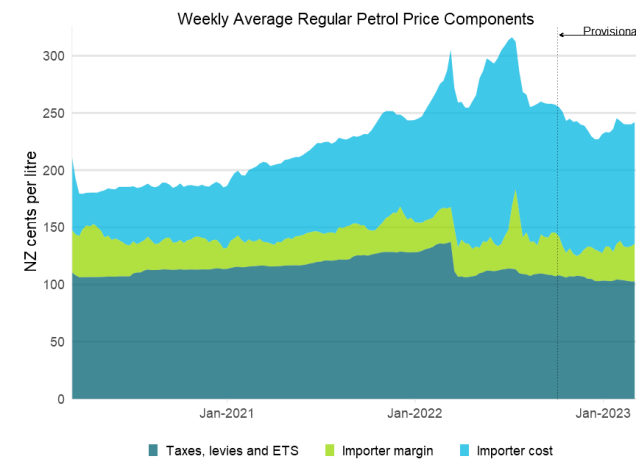
OurWorldInData.org/energy • CC BY

### March 2023

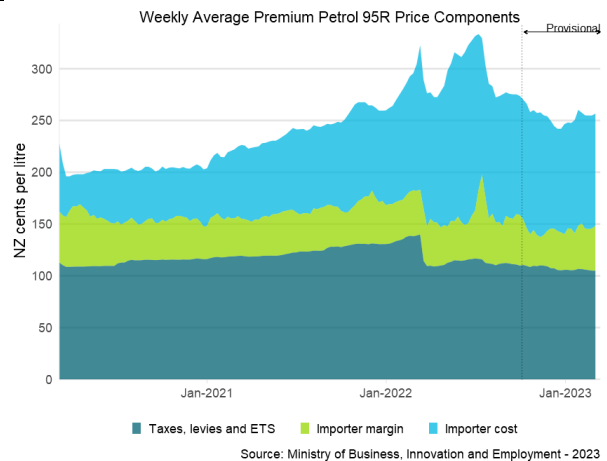
A slowdown in prices is expected from the Ministry of the Business, Innovation and Employment (MBIE)(cf. Tables below)([MBIE](#)).



Source: Ministry of Business, Innovation and Employment - 2023



Source: Ministry of Business, Innovation and Employment - 2023

		 <p>Weekly Average Premium Petrol 95R Price Components</p> <p>NZ cents per litre</p> <p>Jan-2021 Jan-2022 Jan-2023</p> <p>■ Taxes, levies and ETS ■ Importer margin ■ Importer cost</p> <p>Source: Ministry of Business, Innovation and Employment - 2023</p>
	<b>Public Authorities measures</b>	
<b>Australia</b>	<p><b>January 2023</b> By the end of December 2022, Australia’s banking interest rate was of 3.1% (0.5% in May 2022)(<a href="#">TradingEconomics, 2022</a>).</p> <p><b>March 2023</b> Australia’s central bank is set to raise interest rates for a 10th straight meeting, with policymakers facing a complex messaging task for an outlook of slower economic growth and still-elevated inflation. Economists unanimously expect the Reserve Bank will increase its cash rate by a quarter-percentage point to 3.6% — a level not seen since May 2012. Attention will focus on whether Governor Philip Lowe persists with his guidance of further hikes ahead following weaker economic readings through February (<a href="#">Bloomberg</a>).</p>	
<b>New Zealand</b>	<p><b>January 2023</b> As the country reached its highest rate since 1990 of 7.3%, up to 9.1% at the end of June, the Reserve Bank of New Zealand has like many other banks raised the interest rates, and tries to ensure price stability as much as they can, and the inflation should go down to 5% by the end of the year, given the New Zealand dollar has also lost its value, and should be gaining back its value at the end of 2023. In August, the ABS forecast of the inflation was 4.5% in 2023, 3.1% in 2024 and 2.8% in 2025 (<a href="#">Capital New Zealand, November 2022</a>).</p> <p><b>March 2023</b> On 22 February 2023, the Reserve Bank of New Zealand increased the interest rate from 4.25% to 4.75%. The next update will be on April 5<sup>th</sup></p>	

([RBNZ](#)).

## FIDIC

### The Guidance Memorandum

**March 2023**

FIDIC has published a new guidance document to assist the users of its construction contracts when dealing with the effects of inflation and shortages of labor and goods following the global pandemic and the war in Ukraine. **View the guidance below.**

The guidance memorandum: FIDIC contracts guidance, on the effects of inflation and unavailability of goods and labor following the global Covid-19 pandemic and the war in Ukraine, contains an outline of the provisions in FIDIC's various general conditions of contract which can be relevant to help users deal with a number of scenarios which may arise when dealing with the above issues ([FIDIC](#)).

⇒ [FIDIC policy and membership position pieces](#)

## MULTI-LATERAL DEVELOPMENT BANKS

### ASIAN DEVELOPMENT BANK

**January 2023**

In December 2022, ADB shared its forecasts for the year 2023 on the region: a downed revision compared to the previous forecasts.

- Three main headwinds continue to hamper recovery in developing Asia: recurrent lockdowns in the People's Republic of China (PRC), the **Russian invasion of Ukraine**, and slowing global growth. Growth forecasts for the region are revised down from **4.3% to 4.2%** in 2022 and from **4.9% to 4.6%** in 2023.

- Regional inflation forecasts are revised down slightly for 2022 from **4.5% to 4.4%** but upgraded for 2023 from **4.0% to 4.2%**. Even with the deteriorating outlook, developing Asia will grow more than other regions and suffer less inflation than most ([ADB, 2022](#)).

ADB is closely monitoring the impact the invasion of Russia has in Asia. A webinar was organized on that subject in November 2022, of which the replay is available since mid-December 2022.

Russia's invasion of Ukraine—and the associated sanctions—interrupted the COVID-19 pandemic recovery in Central and West Asia. The resulting supply chain disruptions and surging inflation have undermined business in the region, particularly for smaller firms. Yet impacts have differed creating two distinct groups of countries: those with limited impact but increased business opportunities and those where the spillovers from the invasion have left businesses struggling. The seminar will discuss key findings from the business surveys conducted in seven Central and West Asian countries and explore needed policy actions ([ADB, 2022](#)).

The Russian invasion of Ukraine added stress to a global economy that was just recovering from the effects of the coronavirus disease (COVID-19) pandemic. In Asia and the Pacific, the greatest economic impact of the invasion has been among economies in Central and West Asia due to their geographic proximity, historical ties, and strong economic links with the Russian Federation. The region has not yet fully absorbed the macroeconomic effects as some are longer term than others. The region may be close to both the Russian Federation and Ukraine, but countries still showed some degree of economic resilience to impact of trade sanctions. Nonetheless, disruptions to global supply chains will continue to affect the region, particularly as economies seek alternative trade routes or invest in import substitution. The second volume of the Asia Small and Medium-Sized Enterprise Monitor (ASM) 2022 provides important facts and analysis that could help governments in the region design and implement effective MSME<sup>1</sup> policies amid increasing global economic uncertainty.

Briefly, the results suggest that the region's economies will incur losses to GDP. Kazakhstan and the Kyrgyz Republic have the most to lose yet also the most to gain, depending on the degree of import substitution. Without redirecting trade, the maximum impact on an economy that could be expected is a loss of 4.6% to Kazakhstan's GDP. Considering sector-specific sanctions, the largest negative impact would again be in Kazakhstan, with an estimated GDP loss of 0.4%. Sectors most affected include the electrical sectors, transport, equipment, chemicals, machinery, and mining. With redirection, assuming an economy would be able to supply the demand for inputs previously imported from the Russian Federation, Kazakhstan could expect a GDP gain of 2.1%–3.7%. The Kyrgyz Republic, by contrast, could expect a GDP loss of –0.2% to –4.2%. The sector most affected would-be textiles and transport equipment. With import substitution (redirection), the Kyrgyz Republic would

<sup>1</sup> micro, small, and medium-sized enterprise

	<p>add 0.1%–2.4% to GDP.</p> <p>Examining individual countries in more detail, the magnitude of the impact differs across Central and West Asia. For the South Caucasus countries of Armenia and Georgia, initial downside risks have become opportunities (stronger remittances, and inflows of tourists and skilled labor) fueling double-digit growth during the first half of 2022. Azerbaijan, as an oil-exporting country, benefited from high oil prices, while faced with inflationary pressure from the global surge in food prices. Kazakhstan and Uzbekistan maintained moderate economic growth, while the Kyrgyz Republic and Tajikistan saw more robust GDP growth. Given the private sector's dominant share of GDP (varying from 40% to 70%), the impact on private businesses was mitigated by policy response measures. Several economies faced initial external shocks and prepared policy response measures. However, without a sufficient fiscal buffer or sovereign wealth fund, these countries approached their development partners for emergency financing support to implement policy measures that supported affected businesses, vulnerable groups, and ensuring food security, among others. Country responses can be split into two groups: (i) West Asia, those experiencing relatively limited impact—Armenia, Azerbaijan, and Georgia; and (ii) Central Asia, those hit hard by the sanctions against the Russian Federation—Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan. Those experiencing limited impact do not have comprehensive anti-crisis plans, while those more affected have action plans to minimize the adverse effects (<a href="#">ADB, 2022</a>).</p>
<b>AFRICAN DEVELOPMENT BANK</b>	<p><b>January 2023</b></p> <p>Ending October 2022, The African Development Bank projects a risk of stagflation in Africa, with real GDP projected to grow by 4.1% in 2022, significantly lower than the 6.9% in 2021. And average inflation is expected to accelerate to 13.5% in 2022, up from 13.0% in 2021, due to a sharp rise in commodity prices, particularly for energy and food. Rising oil prices are increasing the transportation cost and driving up the price of other basic commodities across Africa. The Russia and Ukraine war has heightened growing uncertainty and amplified volatility in financial and capital markets. Tighter global financial conditions – with higher interest rates to combat inflation are expected to significantly curtail access to financing, exacerbating the debt vulnerability of African countries, of which over 60% are already in or at a high-risk of - debt distress.</p> <p>Against this background, the African Development Bank intends to publish a special issue titled “The Impact of Russia-Ukraine war on African Economies” in its quarterly Journal, the African Development Review. The issue will analyze the impact of the Russia-Ukraine war on African economies with an emphasis on submissions that address the socio-economic short- and long-term implications on the African economy, particularly on the agricultural sector and food security. This issue is expected to be produced in February 2023 (<a href="#">AFD, 2022</a>).</p>
<b>INTER-AMERICAN DEVELOPMENT BANK</b>	<p><b>January 2023</b></p> <p>In the months before the Russia-Ukraine war, GDP was rebounding, while employment was lagging. Job losses had been particularly acute for women, workers in the informal sector, and those with less education. As a result, poverty and inequality</p>

had grown. Evidence was also emerging of persistent job losses in the sectors most vulnerable to automation. Apparently, the crisis accelerated the trend towards adopting new technology, which impacted labor markets. At the same time, the region was emerging from the COVID-19 crisis with more debt, less fiscal space, and higher inflation. In early 2022, growth rates were faltering, and policymakers were already facing complex challenges. Against this backdrop, the Russian invasion of Ukraine had a strong impact on the global economy, and thus the region. As a result, uncertainty increased, preexisting challenges were heightened, and new challenges arose. The 2022 edition of the IDB Latin American and Caribbean Macroeconomic Report analyzes the challenges, outlines the opportunities, and provides recommendations to boost stronger, inclusive, and sustainable growth in this context. Enhanced fiscal and labor market architectures are required for a faster recovery and reduced inequality. The outlook is challenging on account of both external and domestic factors. The global economy presents several risks. Inflationary pressures are increasing across the world, leading major central banks to raise interest rates and unwind expansionary monetary policies. In addition, geopolitical security risks have grown given the Russia-Ukraine conflict and could pose a significant threat to the global recovery, as well as trigger volatility in financial markets and increase inflationary pressures. Russia and Ukraine are significant exporters and importers. They are closely linked to the global economy, and the conflict could have unpredictable consequences. Fortunately, the region's direct trade links with Russia are relatively small, with a few exceptions, such as meat from Paraguay, inorganic chemicals from Jamaica, or fruit from Ecuador. Likewise, and except for fertilizers, the region imports little from Russia. In the case of fertilizers, imports from Russia represent close to 20% of imports for the average country in the region. Substituting these markets, both for exports and imports, is a crucial task for the region. These and other risks require close monitoring and evaluation. This report analyzes growth prospects, fiscal and monetary policy, and the outlook for the external sector. The recommendations stress the need for a new fiscal and labor market architecture. Policymakers should seize the window of opportunity provided by the crisis to improve the outlook for the region ([IDB, 2022](#)).

### **March 2023**

The value of goods exported from Latin America and the Caribbean increased at an estimated rate of 18.8% in 2022. The downward trend in the region's external sales consolidated during this period, after growing 27.8% in 2021, according to a report by the Inter-American Development Bank.

The region's export performance was mainly explained by higher prices, while volumes lost momentum. In the coming months, the export growth rate is expected to slow in response to the downward trend in commodity prices, the war in Ukraine, restrictive monetary policies to reduce inflation and the slowdown in global growth, the latest edition of [Trade Trends Estimates: Latin America and the Caribbean](#) has found.



	<p>The region's external sales were driven by shipments to the United States, which are estimated to have grown by 21.3% in 2022. Demand from the rest of Latin America and the Caribbean's major trading partners slowed dramatically compared to 2021. Sales grew by 2% to China, 14% to the European Union, and 25.6% to Latin America and the Caribbean.</p> <p><b>Export Prices</b></p> <p>In 2022, the prices of most commodities exported by Latin America and the Caribbean climbed. Between January and November 2022, the year-on-year prices of oil (43%), coffee (29.1%), soybeans (13%) and sugar (5.5%) all increased. In contrast, the prices of iron ore and copper fell by 28.9% and 4.9% year-on-year, respectively.</p> <p>According to the report, the shock caused by the Russian invasion of Ukraine "further increased the prices of LAC's main export commodities." However, "in most countries, the uptrend changed direction in the middle of the year in response to slowing global demand, forecasts of low growth, and the appreciation of the US dollar."</p> <p><b>Performance by Subregion</b></p> <p>Exports are estimated to have grown by 18.2% in South America in 2022 after increasing by 36% in 2021. The upturn in commodity prices explained much of this performance, which benefited from the dynamism of intraregional trade and was particularly hard hit by the cooling of demand from China.</p> <p>Exports from Mesoamerica increased by an estimated 18.8% year-on-year in 2022 after growing by 19.4% in 2021. Unlike the rest of the region, Mexico experienced a continuous increase in its export growth rate throughout the year due to the rise in volumes shipped to the United States. Although exports from Central America slowed significantly in 2022 in comparison with 2021 (26.6%), they nonetheless grew by 13.6%, boosted by demand from within the region and the United States.</p> <p>Exports from the Caribbean rose by an estimated 38% in 2022 after growing by 44.4% in 2021. The United States accounted for most of the increase, followed by the European Union (<a href="#">laDB</a>).</p>
<p><b>EUROPEAN BANK FOR CONSTRUCTION AND DEVELOPMENT</b></p>	<p><b>January 2023</b></p> <p>Actions of the EBRD up to date:</p> <ul style="list-style-type: none"> <li>• <b>Energy Security:</b> EBRD's support ensures continued provision of vital energy services to affected people and businesses. The Bank focuses on providing working capital and grants to the two leading state owned energy companies: <u>Naftogaz</u> (gas &amp; utilities company), and <u>Ukrenergo</u> (electricity transmission system operator).</li> </ul> <p><u>Progress to date:</u> The Bank has signed two unfunded guarantees to finance emergency working capital of Ukrenergo: an EU guarantee worth €35.625 million extended through the <u>European Fund for Sustainable Development</u> (EFSD), and a guarantee provided by the UK worth €48.6 million. The EBRD Shareholder Special Fund (SSF) additionally contributed</p>

	<p>€1.875 million. A contribution from the Netherlands of €72 million in the form of a grant to Ukrenergo will be signed soon to help the company undertake urgent repairs of the electricity infrastructure.</p> <p>The Bank has also signed two unfunded guarantees to support the purchase of gas by Naftogaz: a guarantee extended by Canada worth €36.5 million, and a guarantee provided by Germany worth €50 million. In addition, the US has allocated €63.5 million of its contribution to the Crisis Response Special Fund for the same purposes. Recently, the Bank has signed a contribution agreement with Norway of some EUR 200 million that will provide Naftogaz with a grant to make additional critical gas purchases.</p> <ul style="list-style-type: none"> <li>• <b>Vital Infrastructure:</b> The Bank is focused on providing emergency liquidity support and critical capex loans to renew and ensure continued operations and avoid a collapse of essential transport and logistics services. Our focus is on emergency capital expenditures to improve the resilience of delivery networks, which will promote trade and exports, and expand service coverage, including in remote areas. The Bank's key effort in this sector was focused on providing emergency liquidity financing to Ukrainian Railways, the Ukrainian state-owned railway operator.</li> </ul> <p><u>Progress to date:</u> In partnership with the Bank, the European Union has provided a €22.25 million unfunded EFSD guarantee to Ukrainian Railways. In addition, €2.75m has been allocated from the SSF.</p> <ul style="list-style-type: none"> <li>• <b>Municipal Infrastructure:</b> Many cities and municipal facilities have been badly affected by the war. The EBRD focuses on providing emergency liquidity financing for hard pressed municipal budgets to renew and ensure continued operations and uninterrupted provision of essential services (e.g. district heating, water and wastewater, solid waste and public transport). This liquidity support is designed to safeguard livelihoods and essential public services for the local population and internally displaced people.</li> </ul> <p><u>Progress to date:</u> The Bank has been preparing several projects with Ukrainian municipalities to provide emergency liquidity support. The projects will be backed up by CRSF guarantees including €12.5 million from the US for a project in Lviv. In addition, the Bank secured contributions from Sweden (SEK 100 million) and Norway (NOK 20 million) to the Eastern Europe Energy Efficiency and Environment Partnership (E5P) Fund that will be used as CAPEX grants for the Ukraine's municipal infrastructure sector (EBRD, 2022).</p>
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	<p><b>February 2023</b></p> <p>The European Bank for Reconstruction and Development (EBRD) has deployed €1.7 billion in Ukraine in 2022 and mobilized a further €200 million via partner banks. This represents more than 10 per cent of the total business of the Bank. This means the EBRD is on track to deliver on its commitment to invest €3 billion for Ukraine by the end of 2023, with the exceptional support of shareholders and donors who share part of the risk of the investments the EBRD has taken on its own book. The results come in the face of the extremely challenging global economic environment in the wake of Russia's war on Ukraine – confirming the EBRD's countercyclical role in support to its countries of operations and clients.</p> <p>"The Bank and its shareholders moved swiftly, following the beginning of the war, to provide adequate support," said EBRD President Odile Renaud-Basso. "This impressive operational performance is testimony to our resilience and determination to support our countries of operation and clients."</p> <p>To support the real economy in Ukraine through investments in vital infrastructure, energy and food security, trade, and support for the private sector, the EBRD deployed €1.7 billion. A further €200 million were mobilized from partner banks (<a href="#">EBRD</a>).</p> <p><b>March 2023 – <a href="#">EBRD's role in Ukraine as of January 2023</a></b></p>
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# THE EBRD'S ROLE IN UKRAINE



## Our commitment to Ukraine

The EBRD is supporting Ukraine and its real economy when the country needs it most – in the here and now.

We are committed to providing €3 billion of financing over 2022-2023 to help keep Ukraine's businesses and economy functioning.

In 2022 we deployed €1.7 billion in support of Ukraine. In addition €200 million was also directly mobilised from partner financial institutions. We wouldn't have been able to do all this without the generous grants and guarantees provided by donor partners – more than €1 billion for Ukraine in 2022.

We have been operating in Ukraine for over three decades and are the largest institutional investor there.

**€3 billion**  
Financing committed over 2022-2023

**€1.7 billion**  
Deployed in 2022

**€200 million**  
Mobilised from partner financial institutions

The story so far

**529**

projects in Ukraine

**€18,096 million**

cumulative EBRD investment

**€4,670 million**

current portfolio of projects

The EBRD is the largest  
institutional investor in Ukraine

As of December 2022



On a visit to Kyiv, EBRD President Odile Renaud-Basso told Ukraine's President Volodymyr Zelenskyy of the Bank's determination to support Ukraine against Russia's aggression.



## Our response to the war

The EBRD strongly condemned the Russian invasion from the start, and our response was immediate and wide-ranging, channelling finance and assistance where needed most.


We have continued to disburse funds to clients, for example by providing working capital, and enhanced our Trade Facilitation Programme to provide extra support for the import and distribution of essential goods.

Our support for Ukraine targets five main areas:

- ▶ Trade finance
- ▶ Energy security
- ▶ Vital infrastructure and provision of liquidity to municipalities
- ▶ Food security
- ▶ The private sector.

## Portfolio Composition

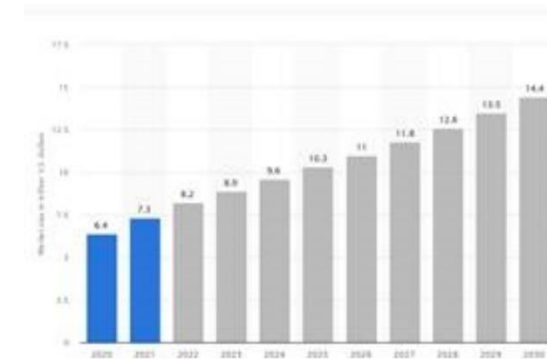


	Worldwide	
Economic state	General	Construction
	<p><b>February 2023</b></p> <p>Global growth is projected to fall from an estimated 3.4% in 2022 to 2.9% in 2023, then rise to 3.1% in 2024. The forecast for 2023 is 0.2% point higher than predicted in the October 2022 World Economic Outlook (WEO) but below the historical (2000–19) average of 3.8%. The rise in central bank rates to fight inflation and Russia’s war in Ukraine continue to weigh on economic activity. The rapid spread of COVID-19 in China dampened growth in 2022, but the recent reopening has paved the way for a faster-than-expected recovery. Global inflation is expected to fall from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024, still above pre-pandemic (2017–19) levels of about 3.5% (IMF).</p>  <p><b>March 2023</b></p> <p>The estimated ratio of energy expenditures to GDP in OECD economies surged in 2022. The prices of oil, natural gas, electricity, and coal had already risen strongly during 2021, and soared further after Russia’s invasion of Ukraine in February 2022. Even though by the end of 2022 prices had fallen well below</p>	<p><a href="#">The Construction Market size was valued at USD 7.28 trillion in 2021 and is predicted to reach USD 14.41 trillion by 2030.</a></p> <p>The demand for construction is increasing due to huge economic growth in developing countries and low interest rates in number of developed countries. Also, factors such as increasing private sector investments in construction, technological development, and rising disposable income are expected to propel the growth of the market during the forecast period. Moreover, increased infrastructure and housing spending by governments across the globe is invigorating the market growth.</p> <p>However, <b>volatility in raw material prices and supply chain disruptions</b> are expected to restrain the growth of the market during the forecast period.</p> <p><a href="#">Size of the global construction market in 2021, with forecasts from 2021 to 2030 (in trillion U.S. dollars)</a></p>

their intra-year highs, for the year as a whole all four energy components contributed to the estimated increase in the OECD-wide expenditure-to-GDP ratio relative to 2021: 2½ percentage points of GDP for electricity, 2¼ for crude oil and oil products, 2 for natural gas and 1 for coal.

It is possible that the 2022 energy-expenditure estimates are somewhat overstated. First, full-year volumes are not yet known and are assumed to be equal to the average of 2019 and 2021 (leaving out the COVID-affected year of 2020). However, in some cases, such as gas and electricity consumption in Europe, high prices have been curtailing consumption in recent months. Moreover, end-user prices for 2022 are not yet available and have therefore been proxied by wholesale prices. To the extent that retail prices have been held down by government policies and/or that industrial users buy energy under long-term price contracts, actual end-user prices and expenditure may have risen by less than suggested by wholesale prices. Nonetheless, it is clear that expenditures on energy as a proportion of GDP will have risen rapidly, and to a high level, in 2022, both in the OECD as a whole and in the typical economy.

Experience suggests that this represents a warning about the potential risk of recession in OECD economies in 2023. Over the past 50 years, the share of incomes in OECD economies taken up by energy expenditures has been closely related to the incidence of economic downturns. As shown in the latest [OECD Economic Outlook](#) (OECD, 2022), end-use expenditures on energy in the OECD have been high and rising whenever an OECD-wide recession has occurred since 1970, with the sole exception of the pandemic-affected year of 2020. There were surges in energy expenditures during the first (1973-74) and second (1979-80) oil crises in many countries, both of which preceded an OECD-wide recession, while the global financial crisis occurred at the culmination of an upward trend in energy expenditures that began in the early-



### February 2023

The global infrastructure construction market size was \$4.6 trillion in 2021 and is expected to grow at an AAGR of more than 2% between 2022-2026. Growth in global infrastructure construction output gathered pace in 2021 having been impacted in 2020 by the disruption caused by the COVID-19 pandemic, but growth momentum has since been hit by soaring material costs and rising borrowing costs. Infrastructure construction has been bolstered by government efforts worldwide to invest in projects to generate economic growth momentum.

The infrastructure construction projects market research report provides insight into the project pipelines for roads, railways, power generation, water and sewerage, marine and inland water infrastructure, and airports.

**Infrastructure Construction Projects Market Segmentation by Sectors**

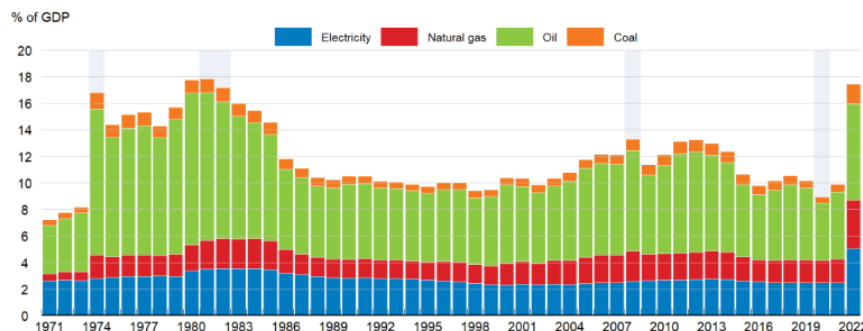


2000s, reaching 13% in 2008. The surge in energy expenditures seen in 2022 is thus a cause for concern.

The association between energy expenditures and the economic cycle is readily explicable: with energy an important input for firms, a rise in energy prices may represent an adverse supply shock, lowering output and raising the price level. At the same time, higher energy prices erode the purchasing power of households. While there are winners from higher energy prices, their propensity to spend their windfalls is typically low (Cookson et al., 2022), so that the net effect on aggregate demand is negative.

Figure 1. Periods of high energy expenditures are often associated with a recession

Estimated energy end-use expenditures for the OECD economies



There are, however, some differences with previous episodes of sharp increases in energy expenditure. First, past surges in the expenditure-to-GDP ratio were mostly driven by oil, while this time the contributions are more evenly spread across energy sources. If the link to economic activity is stronger for oil than for the other energy components, this might mean that the negative growth impact is smaller than for past energy expenditure shocks of similar size. The impact on countries will also differ from the past depending

The key sectors in the global infrastructure construction market are roads, railways, electricity & power, water and sewerage, and airports and other infrastructure. Road infrastructure has the highest share in terms of value.

**Railways:** Regions with a relatively high population density per km of railway, such as South-East Asia, are typically investing relatively high levels (as a percentage of GDP) in railway infrastructure, while those regions that already have a high railway capacity per capita, such as Western Europe, have low investment relative to GDP. While North-East Asia, excluding China, and Western Europe recorded a relatively similar level of railway infrastructure construction output in 2021 (in nominal terms). Tokyo to Nagoya Maglev Railway Line is one of the top railway projects.

**Roads:** Between 2017 and 2021, the average annual road construction output as a percentage of gross domestic product was highest in Eastern Europe. It can be attributed predominantly to an increase in spending on road infrastructure supported by Chinese investment through the Belt and Road initiative and the preceding 16 + 1 grouping. Dzhubga to Sochi Road Development of Russia is one of the top road projects.

**Electricity & power:** The global energy transition is gaining momentum, the upcoming UN Climate Change Conference (COP27) has highlighted growing international cooperation to reduce carbon emissions. The EU plans to invest heavily in accelerating the energy transition, the REPowerEU program plans to increase energy security, clean energy

on their endowments of the various energy components: for example, net exporters of natural gas, including the United States, are likely to suffer less of a negative impact from the current energy price spike than in the past.

Second, because the market for oil (as well as coal) is much more global than those for electricity and gas, the incidence of the OECD-wide energy price increase is more regionally focused than in the past, with most European economies particularly severely affected. The recession signal may therefore turn out to be more regional than global on this occasion.

Finally, the energy intensity of OECD economies (defined as energy consumed per unit of GDP) has trended down over the past five decades (Figure 2), reflecting rising energy efficiency. A large part of this downtrend is driven by oil and coal; the use of natural gas intensified until the end of the 1990s, when it stabilized, while electricity intensity has remained relatively constant. The downtrend in energy intensity is often masked by swings in the relative price of energy. For example, energy intensity fell by nearly 15% from the mid-1990s to the early 2000s, but energy expenditures remained roughly stable in relation to GDP because of an offsetting increase in the relative (weighted) price of energy. And the spike in the expenditure-to-GDP ratio in 2022, reflecting the unprecedented rises in some energy prices, obscures the ongoing decline in energy intensity. To the extent that OECD economies have become less energy intensive, the impact of an energy price shock on output may be expected to be smaller than in the past.

Bearing these differences in mind, the latest OECD Economic Outlook projections do not show a global or OECD-wide recession in 2023. A sharp slowdown is, however, expected in Europe – GDP growth for the euro area is projected to decline from 3.3% in 2022 to 0.5% in 2023, with quarterly output declines projected in several European countries. In addition, the Economic Outlook points to a range of downside risks, including the risk that the impact

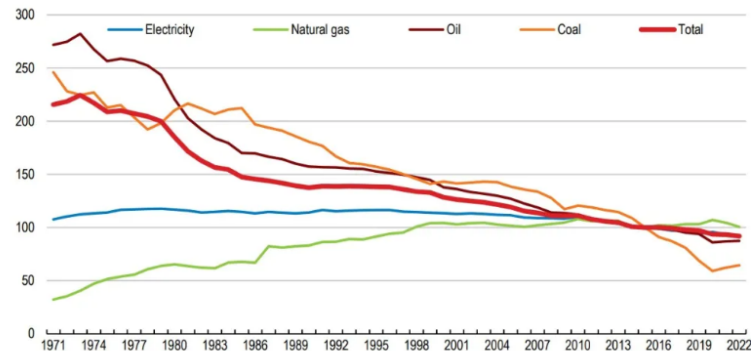
investment, and energy savings measures. Tibet Yarlung Tsangpo Hydroelectric Power Plant of China is one of the top electricity & power projects ([GlobalData](#)).



of lower energy imports to Europe from Russia is more severe than expected ([OECD, ECOSCOPE](#)).

Figure 2. Energy intensity has declined, especially for oil and coal

Energy volume consumed per unit of real GDP, index, 2015=100



Note: OECD aggregate computed using energy intensity for 33 OECD countries weighted by GDP (PPP).  
Source: OECD Economic Outlook 112 database; International Energy Agency.

## SPECIAL REVIEW

### Metal industry

March 10, 2023, Metal industry review [from S&P Global](#)

The metals industry has shown some resilience in the wake of Russia's invasion of Ukraine, but producers in these two countries continue to face dire threats as the fighting drags on.

The conflict, now in its second year, has directly affected Ukrainian metals and mining companies, while sanctions, both mandated and self-imposed, have taken their toll on Russian output. Secondary effects of the invasion, such as energy shortages, continue to roil

markets around the world. While the industry has somewhat adjusted to the situation, a recent escalation in attacks on Ukrainian infrastructure and the increasing isolation of the Russian economy paint a bleak picture for metal producers.

The invasion has already had a devastating effect on Ukraine's metals industry. One of the country's biggest metal producers, ArcelorMittal Kryvyi Rih, saw its steel output drop to about 20% of capacity in 2022, due in part to multiple blackouts and material shortages caused by Russia's blockade of Black Sea ports. To continue operating, the company had to "reinvent ... logistics routes from scratch," according to CEO Mauro Longobardo, who envisions the plant's output returning to 50% of capacity in 2023. Notably, the company has remained committed to its environmental, social and governance efforts during the war, with multiple environmental-related investments planned for 2023, Longobardo told S&P Global Commodity Insights.

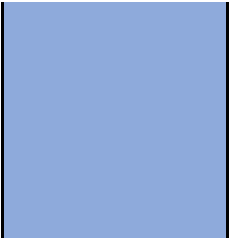
The challenges faced by ArcelorMittal are not unique in the war-torn country. In 2022, estimated iron ore production in Ukraine fell 58% year over year, and steel output dropped 68.5%, according to S&P Global Market Intelligence data. Relief for the country's battered metals industry does not appear to be coming soon, either. Recent targeting of Ukrainian power infrastructure by Russian forces is incapacitating foundries, which depend on a consistent energy supply. New threats to port cities are similarly hampering the country's metal production capacity.

Like their Ukrainian counterparts, Russian metal producers have recalibrated to this post-invasion reality. Cut off from alumina imports from Ukraine and Australia, Russian aluminum producer United Co. Rusal turned to China for its raw materials needs. The company saw its production costs increase 33.2% year over year in the first half of 2022 but also managed to grow revenues by 31% in the same period, according to S&P Global Market Intelligence estimates. The company is now reportedly planning to construct an alumina refinery to ease its dependence on China.

Traders, meanwhile, are making record profits as the commodities sector reconfigures its supply chains in light of sanctions and self-imposed restrictions on Russian metal products. Driven partially by elevated commodity prices, profits at Trafigura Group more than doubled to \$7.0 billion in 2022 from \$3.1 billion in 2021, and Glencore's profits increased 3.5 times to \$17.32 billion, according to company reports. Key mining products are still finding their way to buyers despite the disarray in commodity markets.

Potash illustrates well this malleability in the supply chain. Russian exports of the mineral have remained at near pre-invasion levels despite self-sanctioning by European and U.S. buyers, who turned to Canada to make up the difference. Russia has also had some success finding willing buyers among other top potash consumers, such as Brazil.

The Russian potash industry may yet suffer the consequences of the invasion. Sanctions on the Russian finance and banking industries are expected to delay planned mining expansions in Russia and Belarus, making it difficult for producers in both countries to grow their



operations, despite abundant reserves of the crucial fertilizer component. Perhaps more significantly, customers turning to Canada for potash may be hesitant to reestablish a trade partnership with Russia, even after the war in Ukraine ends.

This isolation puts Russian metal producers in a precarious position. Continued success for companies like Rusal now hinges on Chinese demand for Russian metal, which is expected to decline in 2023. With the conflict showing no signs of abating in the near term, the metals industries of Russia and Ukraine will need to continue adapting to survive.



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