



Russian-Ukrainian conflict
Impact on the construction sector worldwide
11/01/2023

| Russia & Ukraine: key statistics | |
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| General | <p>RUSSIA</p> <ul style="list-style-type: none"> • Russia’s GDP has declined by 1.9% between January and October 2022. • Crude oil has increased by 2.4% between January and October 2022. • Inflation is of 11.88% between December 2021 and December 2022 - for companies it is of 19.6% (construction: 16.7%)(Trésor). <p>UKRAINE</p> <ul style="list-style-type: none"> • Annual inflation was of 26.5% in November 2022. • Annual GDP decreased by 30.8% in the third semester of 2022. • According to the most recent data, more than 50% of Ukrainian Energy Infrastructure has been destroyed by Russian air strikes and targeted drone campaigns. Ukrainian critical infrastructure (power stations, water supply systems, etc.), enterprises, hospitals, kindergartens, and households need urgent support, especially as the winter temperature has dropped to below zero in most of the Ukrainian cities (Trésor). <p>ENERGY</p> <p>After increasing 68% from January through June, the energy component of the S&P Goldman Sachs Commodity Index (GSCI) ended the year 10% higher than the first trading day of 2022. Global events—notably Russia’s full-scale invasion of Ukraine, which has been ongoing since last February—have 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&P GSCI is a weighted average of 24 individual commodity contracts organized into five sub-indexes. The weight assigned to each commodity reflects its significance to the world economy as measured by its production volume and liquidity (EIA).</p> |

| | <p style="text-align: center;">Components of the S&P Goldman Sachs Commodity Index (2022) percentage change since first trading day of the year</p> <table border="1"> <caption>Estimated data from the S&P Goldman Sachs Commodity Index chart (2022)</caption> <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>40%</td></tr> <tr><td>gasoil</td><td>energy</td><td>35%</td></tr> <tr><td>natural gas</td><td>energy</td><td>20%</td></tr> <tr><td>RBOB (wholesale gasoline)</td><td>energy</td><td>10%</td></tr> <tr><td>Brent crude oil</td><td>energy</td><td>5%</td></tr> <tr><td>West Texas Intermediate crude oil</td><td>energy</td><td>5%</td></tr> <tr><td>nickel</td><td>industrial metals</td><td>40%</td></tr> <tr><td>lead</td><td>industrial metals</td><td>10%</td></tr> <tr><td>copper</td><td>industrial metals</td><td>10%</td></tr> <tr><td>aluminum</td><td>industrial metals</td><td>-15%</td></tr> <tr><td>zinc</td><td>industrial metals</td><td>-15%</td></tr> <tr><td>corn</td><td>agriculture</td><td>15%</td></tr> <tr><td>soybean</td><td>agriculture</td><td>10%</td></tr> <tr><td>Kansas wheat</td><td>agriculture</td><td>10%</td></tr> <tr><td>sugar</td><td>agriculture</td><td>10%</td></tr> <tr><td>cocoa</td><td>agriculture</td><td>5%</td></tr> <tr><td>Chicago wheat</td><td>agriculture</td><td>5%</td></tr> <tr><td>coffee</td><td>agriculture</td><td>-25%</td></tr> <tr><td>cotton</td><td>agriculture</td><td>-25%</td></tr> <tr><td>live cattle</td><td>livestock</td><td>15%</td></tr> <tr><td>feeder cattle</td><td>livestock</td><td>10%</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>5%</td></tr> </tbody> </table> <p><small>Data source: S&P Dow Jones and Bloomberg, L.P. Note: ULSD = Ultra-low sulfur diesel.</small></p> | Commodity | Category | Percentage Change | ULSD (heating oil) | energy | 40% | gasoil | energy | 35% | natural gas | energy | 20% | RBOB (wholesale gasoline) | energy | 10% | Brent crude oil | energy | 5% | West Texas Intermediate crude oil | energy | 5% | nickel | industrial metals | 40% | lead | industrial metals | 10% | copper | industrial metals | 10% | aluminum | industrial metals | -15% | zinc | industrial metals | -15% | corn | agriculture | 15% | soybean | agriculture | 10% | Kansas wheat | agriculture | 10% | sugar | agriculture | 10% | cocoa | agriculture | 5% | Chicago wheat | agriculture | 5% | coffee | agriculture | -25% | cotton | agriculture | -25% | live cattle | livestock | 15% | feeder cattle | livestock | 10% | lean hogs | livestock | 10% | silver | precious metals | 5% | gold | precious metals | 5% |
|-----------------------------------|---|-------------------|----------|-------------------|--------------------|--------|-----|--------|--------|-----|-------------|--------|-----|---------------------------|--------|-----|-----------------|--------|----|-----------------------------------|--------|----|--------|-------------------|-----|------|-------------------|-----|--------|-------------------|-----|----------|-------------------|------|------|-------------------|------|------|-------------|-----|---------|-------------|-----|--------------|-------------|-----|-------|-------------|-----|-------|-------------|----|---------------|-------------|----|--------|-------------|------|--------|-------------|------|-------------|-----------|-----|---------------|-----------|-----|-----------|-----------|-----|--------|-----------------|----|------|-----------------|----|
| Commodity | Category | Percentage Change | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ULSD (heating oil) | energy | 40% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| gasoil | energy | 35% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| natural gas | energy | 20% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| RBOB (wholesale gasoline) | energy | 10% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Brent crude oil | energy | 5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| West Texas Intermediate crude oil | energy | 5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| nickel | industrial metals | 40% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| lead | industrial metals | 10% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| copper | industrial metals | 10% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| aluminum | industrial metals | -15% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| zinc | industrial metals | -15% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| corn | agriculture | 15% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| soybean | agriculture | 10% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Kansas wheat | agriculture | 10% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| sugar | agriculture | 10% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| cocoa | agriculture | 5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chicago wheat | agriculture | 5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| coffee | agriculture | -25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| cotton | agriculture | -25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| live cattle | livestock | 15% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| feeder cattle | livestock | 10% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| lean hogs | livestock | 10% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| silver | precious metals | 5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| gold | precious metals | 5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Reconstruction</p> | <p>UKRAINE</p> <p>How much?</p> <p>Last September 2022, the Government of Ukraine, the European Commission, and the World Bank, in cooperation with partners, estimated that the cost of reconstruction and recovery in Ukraine amounted to \$349 billion (€349 Billion). This figure is expected to grow in the coming months as the war continues.</p> <p>The assessment covers the impacts of the war sustained between February 24 and June 1, 2022 and found that physical damage from the war reached over \$97 billion. It was particularly high in the housing, transport, commerce, and industry sectors.</p> <p>The report found that recovery and reconstruction need across social, productive, and infrastructure sectors total \$349 billion, which is more than 1.5 times the 2021 GDP of Ukraine. Over the next 36 months the RDNA assesses that \$105 billion is needed to address urgent needs such as restoring education and health systems and infrastructure, preparing for the</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

upcoming winter through restoration of heating and energy to homes, support to agriculture, and repair of vital transport routes. The safe management of debris and explosives, including landmines, also pose a substantial cost ([World Bank](#)).

What?

The reconstruction of Ukraine must go beyond the heavy task of rebuilding and refurbishing damaged physical infrastructure; the efforts need to address all elements of economic development. Organizations, such as the Ukrainian government, humanitarian groups, and global financial institutions, have been providing immediate assistance. The European Bank for Reconstruction and Development (EBRD) has established a recovery fund that currently holds over **US\$650 million**, all in the form of grants. The fund's purpose is to **stabilize and protect private sector growth**, and provide **humanitarian support**, particularly food security. Additionally, in May, the Biden administration committed **US\$7.5 billion** to Ukraine's Ministry of Finance to help pay health worker and educator salaries, of which US\$1.3 billion has been sent.

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

- **Physical infrastructure.** As of August 22, 2022, Ukraine's Ministry of Economy and the Kyiv School of Economics (KSE) estimated that the war had caused physical infrastructure damage amounting to **US\$113.5 billion**. Rebuilding it is essential so that the housing, education, and employment opportunities needed for reconstruction can grow. It also offers an opportunity to reexamine urban planning with an eye not just toward efficiency or economic growth, but toward the flourishing of communities.
- **Education and workforce.** More than 2,000 educational institutions have been damaged across Ukraine. Prior to the war, Ukraine's human capital was a key competitive advantage. Rebuilding these institutions and creating opportunities for workers could be critical to attracting returning refugees and recapturing this economic advantage.
- **Financial sector.** The loss of a key trading partner in Russia has damaged the Ukrainian financial sector. With issuer credit ratings of CCC+ by S&P Global Ratings and CC by Fitch Ratings, Ukraine may struggle to raise funds on its own. It needs capital investment to strengthen its economy and allow for postwar economic growth.

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| | <ul style="list-style-type: none"> • Government services and revenue. Not only does war disrupt trade, resulting in reduced excise revenue, but it also hampers collection of other taxes. The World Bank expects Ukraine’s budget deficit to grow US\$5 billion each month until the war’s end. • Agriculture. Ukraine’s agriculture sector accounted for 11% of the country’s GDP, almost 20% of its labor force, and nearly 40% of total exports prior to Russia’s invasion. But in June 2022, Ukraine’s grain exports were down 44% compared with June 2021. Damage to farmland, unharvested crops, storage facilities, and more must be addressed if Ukraine’s agriculture sector is to recover to its former state (Deloitte). |
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| | Germany | |
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| | General | Construction |
| Economic conditions | <p>October 2022 German economic institutes expect <u>inflation in Germany to accelerate in 2023</u> to an annual rate of 8.8% compared to 2022. In September, inflation reached 10% according to figures published in early October (Federal Statistical Office, October 2022).</p> <p>The decline in GDP is expected to be 0.4% next year, according to the forecasts of the main economic institutes. Recession is also the scenario retained by the OECD, which in its forecasts sees the country's GDP falling by 0.7% in 2023.</p> <p>November 2022 In October 2022, German annual GDP growth was 1.5% (0.3% between September and October 2022), while annual inflation was 8.5% (IMF, 2022).</p> <p>December 2022 In the third quarter of 2022, the German GDP was of 1,2% (an increase of 0,4% between the second and third quarter of</p> | <p>October 2022</p> <ul style="list-style-type: none"> • The number of building permits for housing units issued from January to August 2022 was down 3.0% from the same period last year. • The number of building permits for new construction issued from January to August 2022: -15.8% for single-family homes, -2.8% for multifamily homes (Federal Statistics Office, October 2022). <p>November 2022 Construction output decreased by 2.6% in September 2022, compared with the same month in 2021 (Trading Economics, 2022).</p> <p>December 2022 Increase in construction prices between the third quarter of 2021 & 2022:</p> <ul style="list-style-type: none"> • Residential Building, 16,5%; |

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| | 2022). While, the inflation rate in Germany is of +10.0% in November 2022 (German Statistics Office). | <ul style="list-style-type: none"> Office Building, 18%; Commercial building, 17,5% (German Statistics Office). |
| Raw materials | Procurement | Price / Cost |
| | <p>September 2022 German energy supply is largely based on imported gas from Ukraine, Russia, and Belarus. According to BAUINDUSTRIE, 1/3 of German construction companies get their raw materials from these countries and 39% complain about production obstacles due to material shortages (BauIndustrie, July 2022).</p> <p>Germany is expected to experience a real shortage as early as the summer of 2022, with prices rising astronomically. <u>Percentage of German materials from Russia, Ukraine, or Belarus:</u></p> <ul style="list-style-type: none"> 26% natural gas; 40% iron ore ; 45% steel products; 25% nickel ; 75% titanium ; 40% bitumen. <p>For the time being, most of the materials needed for construction remain available on the market. However, material manufacturers are already creating an artificial shortage. They are holding back these materials, waiting for prices to rise so that they can make a profit on the world market when the time is right. Prices have risen to 100%, driving up the cost of infrastructure projects.</p> | <p>October 2022 For construction companies, the problem with price increases is that they cannot be passed on to customers (only in exceptional cases) unless price management has been agreed. In the survey conducted by BauIndustrie earlier this year, only one in three of the construction companies surveyed said it was possible to agree a price change with the customer. 29% said that they could not submit adjustments due to the current situation, as they would otherwise be faced with incalculable additional costs, which would be at the expense of their own margin.</p> <p>⇒ This risk of sharp price increases can only be covered by long-term supply contracts, price escalation clauses or corresponding cost cushions in the supply (BauIndustrie, 2022).</p> <p>November 2022 In September 2022, the producer price index for industrial products rose 45.8%. In July, the increase was +37.2%. Compared to the previous month, August 2022, the overall index rose by 2.3% in September 2022 and thus increased less strongly than in August (+7.9% compared to July 2022)(Federal Statistical Office, 2022).</p> |

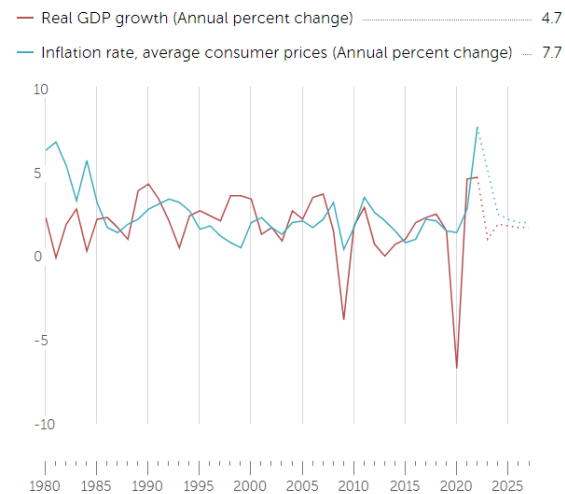
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| | <p>Before the war in Ukraine, 1/3 of gas, oil and coal supplies were Russian. Germany quickly diversified its energy suppliers:</p> <ul style="list-style-type: none"> • The share of Russian oil has dropped from 35% to 12%; • The share of Russian coal has dropped from 50% to 8%; • The share of Russian gas has fallen from 55% to 35% (OECD, June 2022). <p>October 2022 Germany still relies on Russian gas for more than 30% of its supplies.</p> <p>November 2022 At the end of September 2022, the government passed new regulations allowing the reactivation of retired lignite plants and RWE announced the reactivation of three lignite units at Neurath and Niederaußem, each with a capacity of 300 MW until June 30, 2023 (Bruegel, November 2022).</p> <p>December 2022 In Germany, imports from Russia accounted for 2.6% of total imports from January to July 2022. In 2021 it had been 2.4%. The fact that Russian goods accounted for a higher share of total German imports is due to the strong price increases for raw materials and energy products (German Statistics Office).</p> | |
| <p>Energy cost</p> | <p>October 2022 At the end of September 2022, the price of energy in Germany (electricity, gas and fuels) was still 51.8% higher than in September 2021. Since January 2021, this represents an overall increase of 68.82% (General Statistical Office, September 2022).</p> | |

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| | <p>December 2022</p> <ul style="list-style-type: none"> • Gas prices for non-households (companies and public authorities): +38.9% compared to the second half of 2021; • Electricity prices for non-households: +19.3% compared to the second half of 2021 (German Statistics Office). |
| <p>Measures adopted by the utilities</p> | <p>September 2022</p> <p>Recognizing the need to make award procedures competitive again, a federal department ordered in March 2022 (through executive orders) that material price escalation clauses be agreed upon for sensitive construction materials when awarding construction contracts. These measures were put in place with immediate effect and are only binding on federal construction sites. Among other things, the orders address the management of existing contracts in response to supply shortages and price increases. This will impact how customers and contractors address delivery shortages considering the war in Ukraine or other circumstances beyond the contractor's control, as well as conflict-induced price increases as a case of disruption to the contract basis. In the future, the decrees will also have an impact on adjusting the contractual practices of the contracts entered into, by agreeing on material price increase clauses (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. The measures include a 9-euro ticket, a discount 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^{er} July 2022), two heating cost subsidies for people receiving housing benefits 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 January 1, 2023. At the same time, the federal government is doing everything in its power to keep the energy supply going (The Federal Government, September 2022).</p> <p>October 2022</p> <p>A huge <u>aid package of up to 200 billion</u> euros is set to protect consumers and businesses from the sharp rise in energy prices for the years 2022, 2023 and 2024.</p> |
| <p>Positioning of the Federation</p> | <p>October 2022</p> <p>The German construction association has shared a position paper to "Secure the supply of raw and construction materials as well as energy" in Germany. This deals with reducing energy dependency, raw material imports, domestic energy production, circular economy or optimal and sustainable use of resources (BauIndustrie, October 2022).</p> |

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| | <p>November 2022 The construction industry association and the building materials industry association are calling for greater raw material security and resource efficiency in a joint position paper (BauIndustrie, 2022).</p> |
| | <p>December 2022 Joint Appeal In a joint appeal on December 2nd, 17 leading associations and chambers of the construction, planning and real estate industry formulated their demands to the Federal Government and the Bundestag as well as the responsible parties in the Länder: "New housing construction in Germany is on the brink of collapse due to exploding prices, rising interest rates and a shattered funding framework. If politicians do not take countermeasures now, we will be walking into a housing emergency with our eyes wide open. What we need now is targeted subsidies for new construction, an acceleration of planning and approval procedures, and tax incentives for investment." (BauIndustrie, December 2022).</p> |
| | <p>Joint position paper Building associations and trades called for measures to stabilize the construction industry. The Russian war against Ukraine threatens to plunge Germany and Europe into an economic crisis. Unlike in past crises, the construction sector with around 2 million employees and a construction volume of 400 billion euros is currently affected by significant declines. 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 previous year's level. How to counteract the slump in the construction industry and avoid a downward spiral at the expense of affordable housing and climate protection has been addressed in a joint position paper by the Federal Association of Building Materials - Stone and Earth (bbs), the German Construction Industry Federation (HDB), the German Construction Industry Federation (ZDB) and the German Confederation of Skilled Crafts (ZDH)(BauIndustrie).</p> |

| | Austria | |
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| Economic conditions | General | Construction |
| | <p>October 2022 Austrian inflation has reached 7.7%, slowing down the country's economic growth, which is expected to reach 1%</p> | <p>September 2022 The construction sector has not only overcome the Covid-19 pandemic but has also been able to record solid growth in</p> |

growth in 2023, compared to 4.6% in 2021 and 4.7% in 2022 (IMF, October 2022).



November 2022

Because of the sharp rise in energy prices and its impact on inflation, the European Commission, like the national economic institutes, has sharply revised its growth forecasts for Austria: after a strong rebound in 2022 to +4.6%, GDP could grow by only 0.3% in 2023 before accelerating to +1.1% in 2024. Despite the measures taken by the government to mitigate the effects of inflation on purchasing power, household consumption will not resume its driving role until 2024. While the labor market is holding up well, with unemployment at 5.0% at the end of 2022, it could deteriorate slightly by 2024 (Treasury, November 2022).

December 2022

2021, even without the recovery effect. The decline in 2020 (-3.7%) is clearly overcompensated this year with 5.4% (although held back by the shortage of building materials). In 2022, above-average growth of 2.6% is also expected. The years 2023 and 2024 are then expected to see growth of just under 2% (FIEC, 2022).

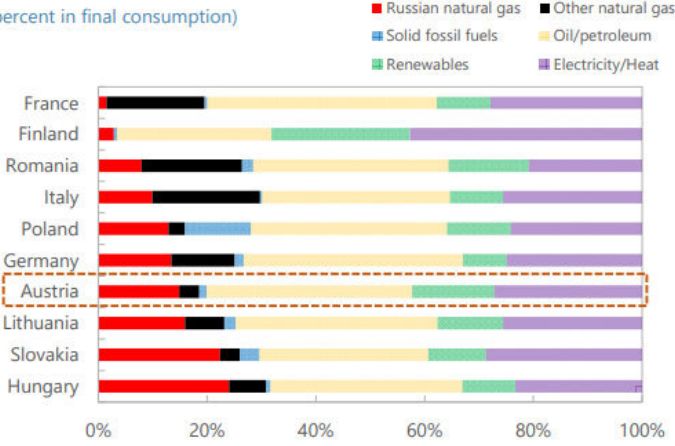
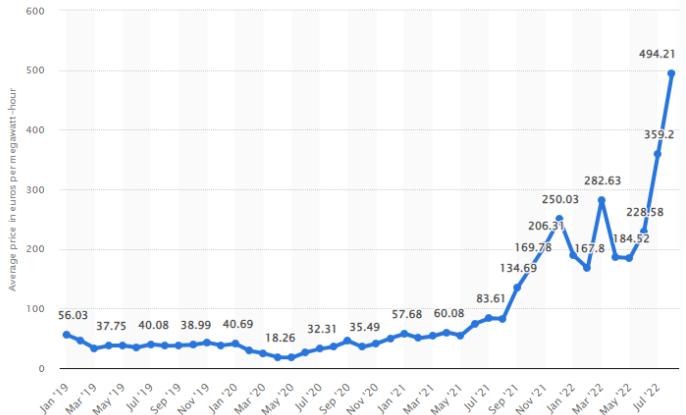
October 2022

The Austrian construction industry is feeling the impact of the war in Ukraine. Construction times have increased by an average of 6 weeks for most companies due to supply and labor difficulties. Furthermore, according to a survey conducted by the Austrian Chamber of Crafts and Construction, despite a slight increase in orders (0.6%), 50% of responding construction companies rate the business climate as "very bad" (WKO, Chamber of Commerce, October 2022).

December 2022

The Austrian construction cost index had increased by 7,6% in October 2022 compared to the same month of the previous year (Austrian Statistics).

While the construction price index had increased by 10,3% in the third quarter of 2022 compared to 2021 (Austrian Statistics).

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| | <p>Austrian GDP increased by 1,7% in the third quarter of 2022, compared to 2021's third quarter. While the annual inflation is now at 10,6% (Statistics Austria).</p> | |
| <p>Raw materials & Energies</p> | <p>Procurement</p> | <p>Price / Cost</p> |
| | <p>September 2022 Austria is very dependent on Russian gas. Indeed, 80% of its gas consumption comes from Russia. The rest comes from Norway. In addition, 8% of its crude oil imports also come from Russia (OECD, June 2022).</p> <p>October 2022 Overview of Austria's energy supply (IMF, September 2022). (percent in final consumption)</p>  <p>Sources: Eurostat, Breugel</p> | <p>September 2022 The Austrian Energy Agency reported a 256% increase in wholesale electricity prices in one year (August 2021-August 2022)(BFM, August 2022).</p> <p>October 2022 Overview of the monthly evolution of electricity prices in Austria, between January 2019 and August 2022, in €/MWh (Statista, September 2022). At the end of October, the price of MWh had fallen back to around 150€ (EU Energy Live).</p>  |
| | <p>November 2022 The government has ordered the state-owned Verbund AG to make the use of coal as an alternative to gas possible again in case of supply bottlenecks or total supply failure, even</p> | <p>November 2022 Since October 2020, the consumer price index has increased by 115% (Statistik Austria, October 2022).</p> |

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| | <p>though VERBUND has ceased operation of the coal-fired power plant in Mellach, Styria, in March 2020 (Bruegel, November 2022).</p> <p>At the same time, and with the aim of diversifying its gas supply and reducing its dependence on Russian energy imports, the Austrian government has reached an agreement with the United Arab Emirates (UAE). Under the agreement, the UAE will send Austria 0.1 billion cubic meters of liquefied natural gas (LNG), equivalent to the consumption of about 65,000 gas-fired households, or about one percent of the country's total gas consumption (Euractiv, October 2022).</p> <p>December 2022 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% (Euractiv, November 2022).</p> | <p>December 2022 Electricity prices went up by 24,8% between November 2021 and November 2022, while gas went up by 119,1% and firewood 81,7% (Austrian Energy Agency).</p> |
| <p>Measures adopted by the utilities</p> | <p>September 2022 In June 2022, the Alpine republic announced a plan to combat the rising cost of living until 2026, with EUR 6 billion made available from 2022, and EUR 22 billion by 2026. Chancellor Karl Nehammer (ÖVP) has announced the introduction 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 (Courrier International, June 2022).</p> <p>Austria will also cap electricity prices for households at up to 80 per cent of last year's average consumption, a measure aimed at controlling soaring energy costs. This will save each household an average of 500 euros a 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 (Bloomberg, September 2022).</p> <p>October 2022</p> | |

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| | <p>Chancellor Karl Nehammer calls on the EU to "decouple the price of electricity from the price of gas". The subject is on the agenda of a forthcoming meeting at the end of October. However, it divides and a general consensus seems difficult to reach (Le Figaro).</p> <p>November 2022</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. Because Austria is heavily dependent on Russian gas, experts had called for measures to accelerate the exit from gas. From 2023, fossil fuel heaters will be banned in new buildings, and oil and coal-fired heating systems that are no longer in use must be replaced by environmentally friendly heaters from 2025. Starting with oil-fired heating systems installed before 1980, the government has set a target of no private oil and coal heaters by 2035. By 2040, all gas-fired heaters must be replaced (Euractiv, November 2022).</p> |
| Positioning of the Federation | <p>October 2022</p> <p>The Austrian Chamber of Crafts and Construction has launched a FAQ, to answer all the questions of construction companies. It is available on their website, and deals in particular with the topics of employment and reception of Ukrainians, consequences and recommendations on construction contracts (WKO, 2022).</p> |

| | Belgium | |
|---------------------|---|--|
| Economic conditions | General | Construction |
| | <p>September 2022</p> <p>Belgium is strategically located between Germany and France, the three largest European economies. Despite a historic recession due to the COVID-19 pandemic, the Belgian economy has recovered much faster than expected and has already reached its pre-pandemic level: according to the latest IMF estimates, GDP has grown by 5.6% in 2021 thanks to a recovery of private consumption and investments. The IMF forecasts real GDP growth of 3.1% and 1.8% in 2022 and 2023.</p> <p>Rising energy prices and unprecedented growth in labor costs (due to wage indexation) have led to overall inflation</p> | <p>September 2022</p> <p>Overall, construction rose 6.6% in 2021, more than offsetting the 4.5% decline in 2020. Excluding stimulus-related work and repair of significant flood damage in the summer of 2021, as well as the effects of the war in Ukraine, construction is expected to continue to grow and gain 1.9% in 2022.</p> <p>The impact of the Ukrainian crisis also remains highly uncertain. Early estimates indicate that it would reduce overall economic growth by less than one percent. But the impact on construction could be greater, given the extent to which the onset of the crisis has affected the confidence of households, which are important customers for construction. And given its impact on the cost of materials and</p> |

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| | <p>of 2.4% in 2021 (Trade Solutions, BNP Paribas, 2022)(OECD, June 2022).</p> <p>October 2022 Economic growth in the second half of 2022 was 4.1% while inflation reached 12.1% (National Bank of Belgium).</p> <p>November 2022 Annual economic growth in October 2022 was 2.5% while annual inflation was 9.5% (IMF, October 2022).</p> <p>According to the European Commission's forecasts, Belgium will have the largest budget deficit in the eurozone in 2023 and 2024 and is also expected to be the only member of the zone with a debt of more than 100% of its GDP to face an increase in its debt over the same period (Euractiv, November 2022).</p> <p>December 2022 Inflation amounts to 10.63% in November compared to 12.27% in October and 11.27% in September. The consumer price index decreased by 0.29 points or 0.23% in November (Statistics Belgium).</p> | <p>therefore of construction. According to a survey by the NBB, companies in the sector expect their activities to fall by around 5% within the next year. This would correspond to a decline of 2.5% for the whole year 2022.</p> <p>Thanks to strong growth (+10.1%), new home construction has more than rebounded in 2021 and has offset the significant 6.7% decline recorded in 2020. It is expected to grow by a few more percent in 2022, due in part to the strong increase in the number of homes authorized in 2021 and for which construction is expected to be completed, or even begin, in 2022. The question is, however, to what extent the consequences of the war in Ukraine will affect the replenishment of demand or even the start of new housing already authorized.</p> <p>Activity in the housing renovation sector, which against all odds grew by 2% in 2020, continues to grow despite the health crisis. As a result, it gained 4.5% in 2021 and is still expected to grow by at least 1.5% in 2022. However, the consequences of the Ukrainian war could slow down the demand for renovation work not aimed at improving energy performance (FIEC, 2022).</p> <p>October 2022 The construction price index rose by 3.0% in the second quarter of 2022 compared with the previous quarter. Between September 2021 and September 2022, the increase will have been 13% (Belgium.be).</p> <p>Despite the rise in the price index, construction output remains constant at around 4.1% since July 2022 (Eurostat).</p> <p>December 2022</p> |
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| | | <p>Compared to the third quarter 2021, the median prices of attached and semi-detached houses have increased by 6.1 %, i.e. an increase of 15,000 euros. Detached houses registered a price increase of 4.3% or 15,000 euros. Apartments became 5.9% more expensive, representing a price increase of 13,000 euros (Statistics Belgium).</p> <table border="1" data-bbox="1249 357 2045 638"> <thead> <tr> <th rowspan="2">BELGIUM</th> <th>2020</th> <th>2021</th> <th>2022</th> <th>% evolution</th> <th>% evolution</th> </tr> <tr> <th>(Q3)</th> <th>(Q3)</th> <th>(Q3)</th> <th>2021(Q3) / 2020(Q3)</th> <th>2022(Q3) / 2021(Q3)</th> </tr> </thead> <tbody> <tr> <td>Houses with 2 or 3 outside walls (attached + semi-detached houses)</td> <td>220,000</td> <td>245,000</td> <td>260,000</td> <td>+11.4%</td> <td>+6.1%</td> </tr> <tr> <td>Houses with 4 outside walls or more (detached houses)</td> <td>315,000</td> <td>350,000</td> <td>365,000</td> <td>+11.1%</td> <td>+4.3%</td> </tr> <tr> <td>Apartments</td> <td>204,500</td> <td>222,000</td> <td>235,000</td> <td>+8.6%</td> <td>+5.9%</td> </tr> <tr> <td>Median price (euros)</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>The construction price index has increased by 3.6% in the third quarter of 2022 compared to the previous quarter. Annual inflation amounts to 14.7% (Statistics Belgium).</p> | BELGIUM | 2020 | 2021 | 2022 | % evolution | % evolution | (Q3) | (Q3) | (Q3) | 2021(Q3) / 2020(Q3) | 2022(Q3) / 2021(Q3) | Houses with 2 or 3 outside walls (attached + semi-detached houses) | 220,000 | 245,000 | 260,000 | +11.4% | +6.1% | Houses with 4 outside walls or more (detached houses) | 315,000 | 350,000 | 365,000 | +11.1% | +4.3% | Apartments | 204,500 | 222,000 | 235,000 | +8.6% | +5.9% | Median price (euros) | | | | | |
|--|--|--|---------|---------------------|---------------------|-------------|-------------|-------------|------|------|------|---------------------|---------------------|--|---------|---------|---------|--------|-------|---|---------|---------|---------|--------|-------|------------|---------|---------|---------|-------|-------|----------------------|--|--|--|--|--|
| BELGIUM | 2020 | 2021 | | 2022 | % evolution | % evolution | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | (Q3) | (Q3) | (Q3) | 2021(Q3) / 2020(Q3) | 2022(Q3) / 2021(Q3) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Houses with 2 or 3 outside walls (attached + semi-detached houses) | 220,000 | 245,000 | 260,000 | +11.4% | +6.1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Houses with 4 outside walls or more (detached houses) | 315,000 | 350,000 | 365,000 | +11.1% | +4.3% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Apartments | 204,500 | 222,000 | 235,000 | +8.6% | +5.9% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Median price (euros) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Raw materials</p> | <p>Procurement</p> <p>September 2022 In Belgium, some of the products needed for construction were largely imported from Russia, Ukraine, or Belarus. For example, the supply of steel is made very difficult by the cessation of activity of several European steel mills that can no longer obtain inputs, or Ukrainian steel mills forced to stop production because of the war.</p> <p>Other raw materials are experiencing supply difficulties, such as wood-based materials, non-ferrous metals,</p> | <p>Price / Cost</p> <p>September 2022 Evolution, since February 2022, of the prices of gold, copper, barley, lead, iron ore and scrap, ferromolybdenum, cobalt, corn, sunflower oil, scrap metal, zinc, wheat and nickel (National Bank of Belgium, May 2022).</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

polypropylene, PVC, and certain components required for the manufacture of insulation materials.

These supply difficulties as well as the increase in energy prices have an **impact on the respect of execution deadlines** within the framework of contracts for construction work.

November 2022

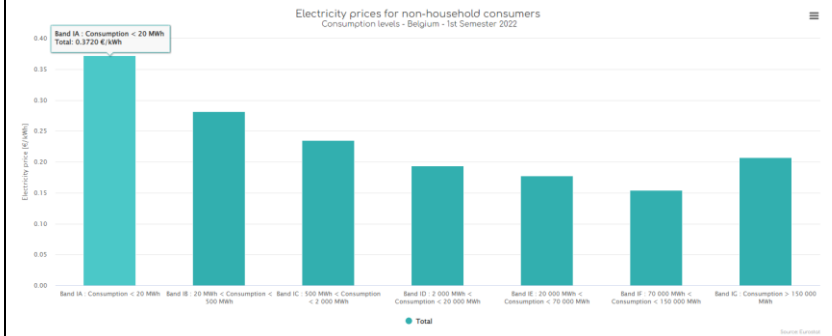
Belgium is expanding its Zeebrugge LNG terminal with an additional capacity of 6.4 bcm/year by 2024 and 1.8 bcm/year by 2026, built by energy company Fluxy LNG. The ten-year investment plan of Fluxys Belgium and Fluxys LNG includes a budget line of €116 million for the planned regasification extensions and a new LNG truck loading dock.

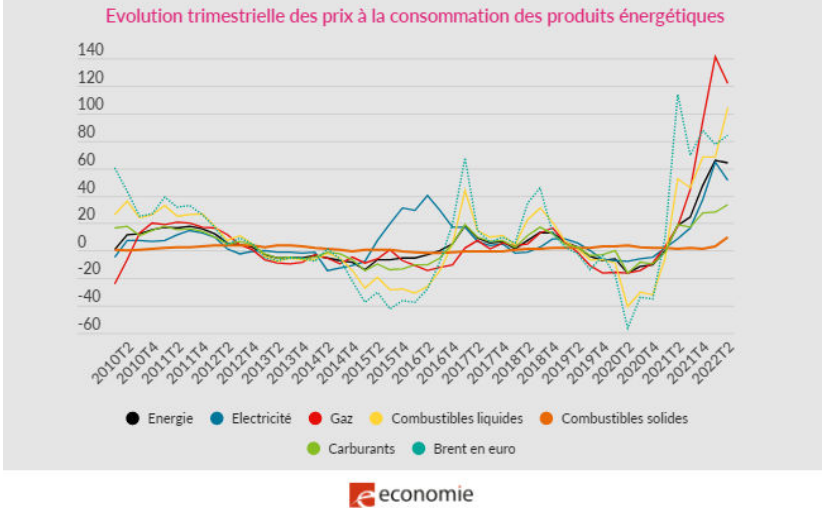
Another measure under consideration is the extension of the life of the Tihange 2 nuclear power plant - which should normally close in the first quarter of 2023. The government has asked Engie, which operates the Belgian nuclear power plants, to discuss this with the AFCN, the national nuclear safety authority (Bruegel, November 2022).



October 2022

Energy prices in Belgium in 1^{er} semester 2022 (Eurostat).



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| | |  <p>The chart displays the quarterly percentage change in prices for various energy products from 2010T2 to 2022T2. The y-axis ranges from -60 to 140. The x-axis shows quarters from 2010T2 to 2022T2. The legend includes: Energie (black), Electricité (blue), Gaz (red), Combustibles liquides (yellow), Combustibles solides (orange), Carburants (green), and Brent en euro (teal). A sharp increase is visible starting in early 2022, with Gaz reaching approximately 130% and Combustibles liquides reaching about 100% by 2022T2.</p> |
| <p>Cost of energy</p> | <p>September 2022 The invasion of Ukraine by Russia has increased the volatility of prices, which had already risen sharply in recent months. The price of oil has risen to reach \$132 per barrel. The price of gas has also risen sharply since the beginning of the war in Ukraine, reaching €118 per megawatt hour. This increase in energy prices is having an impact on the production costs of construction companies, which are facing an increase in the price of construction materials as well as high fuel prices for construction equipment and transportation. Soaring energy prices result directly in higher prices for energy-intensive construction materials, such as cement and concrete, tiles, ceramic bricks and tiles, insulation materials, etc. This may cause producers to stop production, given the difficulties of passing on these increases in sales prices and the demands for profitability. This may cause producers to stop production, given the difficulties of passing on these increases in sales prices and the demands of profitability.</p> <p>October 2022 Energy prices remain exceptionally high, around 27.3% higher than in October 2021 (National Bank of Belgium). Since the beginning of the crisis, energy price inflation has reached 64.7% (Belgium Economy).</p> | |
| <p>Measures adopted by the utilities</p> | <p>September 2022 The federal government has taken a series of measures to help businesses deal with the energy crisis.</p> | |

These measures are similar to those that applied during the Covid crisis and are in addition to the [federal plan](#) 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.

Measures include:

- The reduced VAT rate (6%) on electricity and gas;
- The reduction of excise duties of 0.175€ per liter on diesel and gasoline;
- 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.
- The federal government has already reduced the VAT from 21% to 6% for investments in solar panels, solar boilers, and heat pumps for homes less than 10 years old (measure 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 salary with a ceiling. 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 complementary allowance if they are entitled to it. These allowances and supplements are subject to a 15% tax deduction ([Belgium. de, August 2022](#)).

Specific support for companies

Social measures

- Companies in difficulty due to high energy costs will be able to benefit from a deferral of the payment of social contributions;
- The "energy" temporary unemployment scheme will be activated and aligned with the European temporary crisis framework;
- A temporary right will be granted to self-employed people who are experiencing difficulties due to their energy bill;
- Longer repayment plans will be provided for the social contributions of the self-employed;
- An awareness of advance payments of social security contributions for the self-employed will be introduced.

Fiscal and financial support measures

- Tax deferral;
- Tax debt repayment plans;

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| | <ul style="list-style-type: none"> • Adjustment of existing investment allowance measures ; • Tax Exemption for Regional Assistance Measures; • Reduction of excise duties on gas and electricity to the European minimum for the months of November and December. <p><u>Other measures</u></p> <ul style="list-style-type: none"> • Temporary Moratorium on Bankruptcies for Companies Affected by the Energy Crisis Due to Supplier Actions; • Code of conduct between energy suppliers and the self-employed and SMEs; • The agri-food sector being a critical sector, it will benefit from a priority energy supply in case of risk of disruption (NewsBelgium, September 2022). <p>November 2022 - Measures to support businesses and individuals</p> <p>The federal government has strengthened its measures to support citizens and businesses during the current energy crisis. One of the measures includes a general deferral of payment for personal, corporate and non-resident taxes (tax year 2022) from two to four months (Embiuld, November 2022).</p> |
| <p>Positioning of the Federation</p> | <p>The Confederation Construction (CC) has launched a FAQ about the conflict in Ukraine. It also launched a study on April 4, 2022, on the effects of the Ukrainian crisis on the sector. 300 construction companies responded.</p> <p>An action plan to support companies in the construction sector in the face of the consequences of the war in Ukraine on their activities was published by the CC on 16 May 2022. This action plan details the measures recommended by the confederation:</p> <p><u>AT THE FEDERAL LEVEL:</u></p> <p>Contractual measures to be recommended in exceptional circumstances (public and private contracts)</p> <ul style="list-style-type: none"> • Granting extensions of time and ensuring non-application of late fees and penalties; • Provide for detailed price revision formulas in the specifications; • Provide/apply a transparent compensation mechanism beyond the price adjustment formula; • Consider whether to change the (technical) terms of the contracts; • In case of impossibility to execute the contract due to the unavailability of materials, accept the temporary force majeure; • Demonstrate reasonable flexibility in the application of "Breyne Act" contracts without abandoning the essential guarantees it provides; • Respect the general principles of the civil code. |

Measures allowing companies to make the increase in gas and electricity prices

- Reduce excise taxes on gas and electricity consumption by businesses.

Measures to ensure the financial viability of companies impacted by the consequences of war in Ukraine

- Provide for a system of deferred payment of social security contributions and VAT;
- Extension of temporary unemployment beyond June 30.

Measures to inform companies of the aid available to them

- Establishment of a federal point of contact for businesses.

REGIONAL MEASURES

- Postpone the qualitative requirements on deep renovation and new construction;
- Ensure continuity of public procurement, including at the municipal level;
- Accelerate the issuance of urban planning and development permits;
- Ensure the implementation of support measures at the regional level;
- Ensure the implementation of the various stimulus plans.

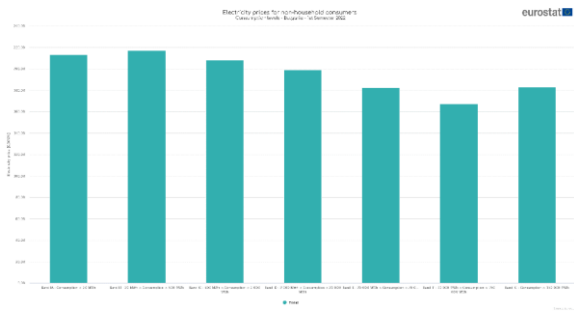
December 2022 – review of 2022 initiatives

In the context of the energy crisis, Embuild Wallonia and “Union Wallonne des Entreprises (UWE)” have alerted the Walloon Government to the need to mobilize aid to cope with the rising energy costs. The Government has announced the implementation of a series of aids to companies (direct aids, reduced-rate loans, etc.), by redirecting approximately 10% of the of the PRW's resources.

The energy crisis, the prices and availability of materials, the indexation of salaries, the rising interest rates, etc. are further eroding and weakening the financial accessibility of housing, the first item of expenditure for households. Embuild Wallonia strongly urges the Walloon Government to introduce a temporary moratorium on any new regulation that has an additional "price impact" on construction. Embuild Wallonia also advocates the development of innovative or under-exploited projects such as PPPs with dismemberment of ownership and land (to neutralize the price of land), standardized PPPs, or the development of innovative financing formulas, in collaboration with the banking sector, to support the acquisition of quality housing ([Embuild](#)).

| | Bulgaria | |
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| Economic conditions | General | Construction |
| | <p>October 2022 Bulgarian inflation reached 12.4% in the second half of 2022, while economic growth was 3.9% (4.2% a year earlier)(IMF, October 2022).</p> <p><u>Political situation</u>: For the fourth time in 18 months, Bulgarians went to the polls in early October. Bulgarian citizens elected a fragmented and polarized Parliament, which is unlikely to form a majority, prolonging the political crisis that has shaken this Balkan country since April 2021. This crisis is rooted in the desire to return to power of the former conservative Prime Minister Boiko Borissov, 63, who led the country almost continuously between 2009 and 2021. He won 25.4% of the vote - ahead of the outgoing prime minister with 20.2% (Le Monde, October 2022).</p> <p>December 2022 In November 2022, the monthly inflation rate, measured by the Consumer Price Index (CPI), was 0.8% compared to the previous month, and the annual inflation rate in November 2022 compared to November 2021 was 16.6% (Statistics Bulgaria).</p> <p>In the third quarter of 2022, gross domestic product (GDP) grew by 3.3% and gross value added (GVA) by 3.1% compared to the third quarter of 2021 (data are preliminary and seasonally adjusted).</p> | <p>According to preliminary data from the National Institute of Statistics, the construction industry's output for 2021 recorded a 30.7% decrease from 2020. Based on the forecast statistical data, the revenues of construction enterprises for 2021 will register a decline (actual data will be published on November 30, 2022). The expected share of residential construction in the total operating income of the construction industry is 25.2%, non-residential construction - 23.7% and civil engineering - 51.1% respectively (FIEC, 2022).</p> <p>November 2022 Bulgarian construction contracted by 1.1% in July 2022, following a contraction of 0.1% in June 2022. Civil engineering recorded a 3.1% decline, while in building construction an increase of 0.5% was recorded. Year-end construction figures will be released at the end of 2022 (Statistics Bulgaria).</p> <p>December 2022 The index of production in Construction increased by 0.7% in October 2022 compared to the previous month. The production of civil engineering rose by 0.8% and the production of building construction - by 0.6%. Compared to October 2021, the index of production in construction increased by 1.8%. An increase was registered both in building construction by 1.9% and in civil engineering - by 1.8% (Statistics Bulgaria).</p> |
| Raw materials | Procurement | Price / Cost |

Russian-Ukrainian conflict, impact on the construction sector - A. Canton, Rev. F. Dastugue 11/01/2023

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| <p>& Energies</p> | <p>Bulgaria is very concerned about European unity. In this context, although initially reluctant to accept sanctions on gas and fuel imports because of its heavy dependence on energy from Russia, it is committed to respecting the European consensus on sanctions. To do so, it has rethought its energy strategy, diversifying its gas supplies from Greece (new gas interconnection inaugurated in July 2022) and increasing gas volumes delivered by Azerbaijan via the Trans Adriatic Pipeline (TAP)(France Diplomatie, August 2022).</p> | <p>October 2022 Electricity prices for consumers (excluding households), first half of 2022 (Eurostat, 2022).</p>  <p>November 2022 The total index of producer prices in industry rose by 6.8% in September 2022 compared to the previous month. Higher prices were recorded in the supply of electricity, gas, mining and quarrying by 6.5% and in manufacturing by 0.7% (Statistics Bulgaria).</p> <p>December 2022 The Total Producer Price Index in Industry decreased by 6.2% in October 2022 compared to the previous month. Lower prices were registered in the electricity, gas, steam and air conditioning supply by 15.3%, in the mining and quarrying industry by 3.9%, while in the manufacturing the prices rose by 0.9% (Statistics Bulgaria).</p> |
| <p>Measures adopted by the utilities</p> | <p>October 2022 <u>Measures proposed by the EU to combat the energy crisis (including price caps):</u> Bulgaria has been quiet 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> | |

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| | <p>EU this year and earned nearly €1.3 billion from its electricity exports in the first six months of 2022. A meeting on the subject is expected to be held in late October (Euractiv).</p> <p><u>R&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 central points of the working group's discussions (Council of Ministers Bulgaria).</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 works contracts and framework agreements for works 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 work performed and to be performed (AOBR, September 2022).</p> <p>November 2022 The government is pushing to accelerate progress on energy efficiency in this crisis situation, including through the revival of building renovation projects included in its national recovery and resilience plan, for example by allocating €25 million to repair 175 kindergartens and schools (Bruegel).</p> |
| <p>Positioning of the Federation</p> | <p>The Bulgarian Construction Federation (AOBR) published in February proposals for urgent measures in connection with 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 (AOBR, February 2022).</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 to urgently supply the necessary quantity of these products to the local market.</p> |

| Cyprus | | |
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| Economic conditions | General | Construction |
| | <p>Cyprus is an open market economy, mainly based on services. After being hit hard by the global financial crisis and the outbreak of the COVID-19 pandemic and the restrictive measures that followed</p> | <p>October 2022 Construction output in Cyprus fell 6.4% year-on-year in the second quarter of 2022, following a 6.6% decline in the previous quarter.</p> |

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| | <p>resulted in a drastic reduction of GDP in 2020 (-5.1%). Supported by both private and public consumption, the economy rebounded in 2021, marking a growth of 4.8% (IMF). The tourism sector also performed relatively well (tourism receipts more than doubled in January-July 2021 compared to the same period in 2020, but remained at about 35% of pre-pandemic levels), as did the construction sector.</p> <p>After experiencing deflation after the onset of the crisis, headline inflation returned to positive territory in 2021 (+1.7%), rising to 8.9% in 2022, driven by rising prices for energy, services, and non-energy industrial goods. The rate is expected to decelerate slightly to 1.1% in 2022 as energy prices normalize (TradeSolutions, BNP Paribas, September 2022).</p> <p>October 2022 Inflation in the country reached 8% in the second half of 2022, while economic growth was 3.5% (5.1% a year earlier)(IMF, October 2022).</p> <p>November 2022 Inflation reached 8.6% in October 2022, an increase of 8.2% compared to the year 2021 (General Statistics Office).</p> <p>December 2022 In November 2022, the inflation increased by 8,7%. The GDP growth rate during the third quarter of 2022 is positive and is estimated at 5,5% over the corresponding quarter of 2021 (Statistics Cyprus).</p> | <p>This was the fourth consecutive quarterly decline. Output contracted in construction activities (-9.4% versus -7.1% in the first quarter), while it rebounded in civil engineering projects (12.6% versus -3.4%)(General Statistics Office).</p> |
| <p>Raw materials & Energies</p> | <p>Procurement</p> <p>Cyprus is very dependent on Russia for its energy supplies, since 92.8% of its energy came from Russia before the war in Ukraine (All Europe, July 2022).</p> | <p>Price / Cost</p> <p>October 2022</p> |

| | | |
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| | <p>November 2022</p> <p>Since 2009, the government has been proposing to build an LNG regasification facility near the port of Vassiliko. The facility would import LNG for power generation at the 865 MW Vasilikos power plant, 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 China-led consortium to build the €250 million LNG import terminal and related infrastructure. In June 2020, the European Investment Bank agreed to lend €150 million, followed by a €101 million grant from the European Commission, an €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, there is currently speculation 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 (Bruegel).</p> | <p>The construction producer price index rose 13.1% in the second half of 2022, which is 3.6% higher than in the first half (General Statistics Office).</p> <p>While the building materials price index increased by 16.24% in one year (October 2021 - October 2022):</p> <ul style="list-style-type: none"> • Metal products: +18.73% ; • Minerals: +16.85% ; • Mineral products: +15.51% ; • Wood, insulation materials, chemicals, plastics: +14.62% ; • Electromechanical products: +12.23% (General Statistics Office). <p>December 2022</p> <p>In October 2022, compared to October 2021, the index recorded an increase of 14,26%. By main commodity category, increases were recorded in metallic products (16,74%), minerals (13,52%), mineral products (13,39%), products of wood, insulation materials, chemicals, and plastics (12,91%) and electromechanical products (11,72%)(Statistics Cyprus).</p> <p>The largest changes when compared to the index of November 2021 were recorded in electricity (32,3%) and in petroleum products (16,3%)(Statistics Cyprus).</p> |
| <p>Measures adopted by the utilities</p> | <p>October 2022</p> <p>Indexation of wages to inflation.</p> | |
| <p>Positioning of the Federation</p> | | |

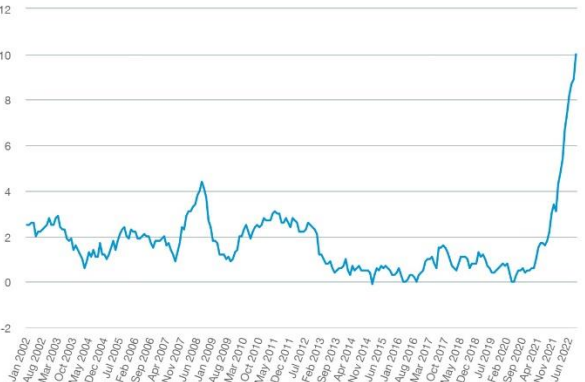
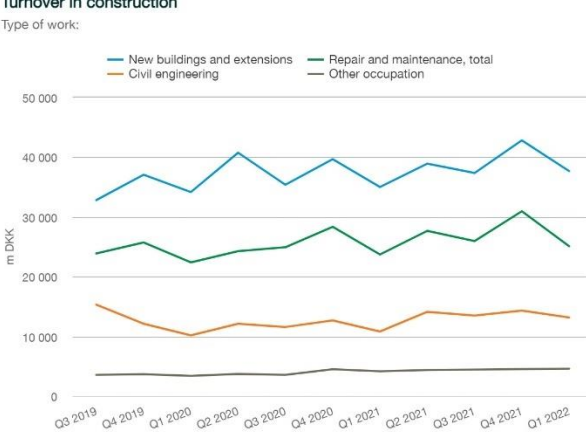
| | | Croatia | |
|--------------------------|--|--|--|
| Business conditions | General | Construction | |
| | <p>Since 2008, the country had experienced six consecutive years of economic recession, with a GDP drop of 12% (EU data). The economy was hit hard by the crisis related to the Covid-19 pandemic (-8%, one of the most affected countries in the EU). Nevertheless, the Croatian economy returned to growth in 2021, mainly supported by strong household consumption and a better-than-expected performance of the tourism sector: the IMF estimated growth at 6.3% for the whole year. In 2022, GDP growth is forecast at 5.8% (reaching the pre-pandemic level) and 4% in 2023.</p> <p>At the same time, rising global energy and food prices have contributed to an increase in inflation, which stood at 2% in 2021 and is expected to remain stable over the forecast period (Trade Solutions, BNP Paribas, September 2022).</p> <p>October 2022 In August 2022, inflation reached a record high of 12.3% in Croatia (Statistics Croatia).</p> <p>November 2022 Annual inflation increased further, reaching 13.4% in November 2022, while annual GDP growth was 8.2% in the second half of 2022 (Croatian Bureau of Statistics).</p> | <p>In 2019, the construction turnover in Croatia was 7.841 million EUR, positioning it in 21st position out of 27 European Union countries (INSEE, 2020).</p> <p>October 2022 According to the seasonally and workday adjusted indices, the volume of construction work decreased by 0.2% in August 2022 compared to July 2022 (Bureau of Statistics Croatia).</p> <p>Croatian construction data will be published at the end of December 2022.</p> | |
| Raw materials & Energies | Procurement | Price / Cost | |
| | <p>Croatia was very dependent on Russia for its energy supply, with up to 60% of its energy coming from Russia. Investment in renewable energy sources (now accounting for 30% of its</p> | <p>October 2022 Regarding the price of electricity, and since the measures introduced on 1^{er} October 2022, the government has decided</p> | |

Russian-Ukrainian conflict, impact on the construction sector - A. Canton, Rev. F. Dastugue 11/01/2023

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| | <p>energy) is gradually reducing this dependence (All Europe, July 2022).</p> <p>November 2022</p> <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/yr to 2.9 bcm/yr. In August 2022, the Prime Minister confirmed a further 3.2 bcm/yr expansion of the Krk LNG terminal's onshore LNG infrastructure by 2029 to bring total regasification capacity to 6.1 bcm/yr. The investment for the expansion amounts to €25 million.</p> | <p>to create a new category including kindergartens, schools, non-governmental organizations, hospitals, municipalities, cities and utilities, for which the price of electricity will be set at EUR 62 per MWh. As for the price of electricity for households, if they consume up to 2,500 kWh, the price will be EUR 59 per MWh, but if they consume more than 2,500 kWh, the price will increase to EUR 88 per MWh. Companies, on the other hand, will pay the price of EUR 70 per MWh for total consumption up to 250 MWh, EUR 180 per MWh for consumption between 250 MWh and 2.5 GWh, and EUR 230 per MWh for consumption above 2.5 GWh (Balkan Green Energy News).</p> <p>On average, the prices of water, electricity, gas and other fuels increased by 13.3% between September 2021 and September 2022 (Croatian Bureau of Statistics).</p> <p>November 2022</p> <p>The Croatian Statistical Office shared the data on annual price changes between October 2021 and October 2022: looking at the selected groups, the highest annual average increase in consumer prices at was recorded in the "energy" group (housing, water, electricity, gas and other fuels) by 19.9% (Statistical Office Croatia).</p> |
| <p>Measures adopted by the utilities</p> | <p>October 2022</p> <p>In early 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 sound, fair and comprehensive, and should support and protect Croatian households, businesses and non-governmental organizations 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 gas prices to 20%, which would otherwise rise by 23% and 79% respectively.</p> | |

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| | <p>The government had already reduced the value added tax (VAT) on gas and heating energy from 25 to 13 percent permanently, and temporarily reduced the VAT on gas to 5 percent from April 1, 2022, when the measures came into effect, to the end of March 2023 (EuroNews).</p> <p>November 2022 On July 28, 2022, the government adopted guidelines to save energy through March 31, 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 lighting and public transportation, and cheaper electricity rates (Bruegel).</p> |
| Positioning of the Federation | |

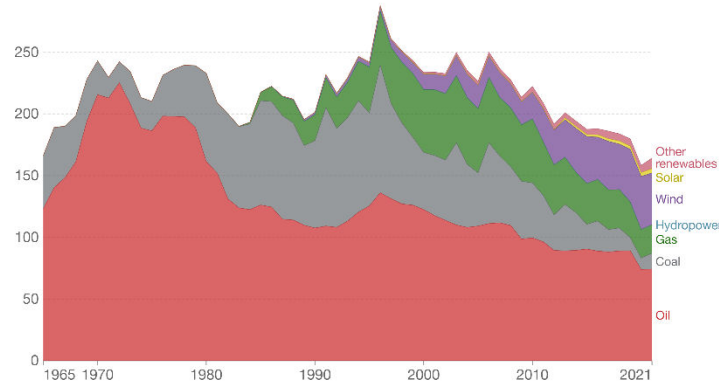
| | Denmark | |
|----------------------------|---|---|
| Business conditions | General | Construction |
| | <p>September 2022 The Danish economy was very stable before the corona pandemic and the pandemic did not hit the economy as hard as other countries. In 2021, the GDP grew by 4.7%. Prior to the war and sanctions against Russia, GDP growth was projected at 2.9 percent in 2022 and 1.8 percent in 2023. The war and sanctions are expected to impact growth forecasts, and the magnitude of that impact depends on the duration of the war and trade relations with Russia. When looking at GDP growth estimates, three different scenarios are considered. GDP is expected to decline by 0.5 percent to 2.6 percent depending on the duration of the war and the extent of sanctions (FIEC, 2022).</p> <p>October 2022 Consumer Price Index, 1^{er} semester 2022 (Statistics Office Denmark).</p> | <p>September 2022 Activity in the construction industry is expected to slow due to significant challenges related to rising material prices, labor shortages and supply issues, and rising interest rates. However, despite the slowdown, activity will remain at a high level.</p> <p>The construction industry, which has experienced exceptionally high activity, is also expecting more moderate demand. Russia's invasion of Ukraine and its aftermath is also likely to dampen investment in housing and other buildings. This is primarily because companies' supply chains are disrupted by the war, leading to material shortages and higher prices.</p> <p>Capacity constraints will slow activity in the coming years. Nearly half of construction firms are experiencing production limitations due to labor shortages, and just over one-third are experiencing production limitations due to lack of materials (Di Byggeri, June 2022).</p> |

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| | <p>Inflation estimated by the annual development of the consumer price index Unit: Percentage change compared to same month the year before (per cent):</p>  <p>December 2022 Danish GDP increased by 0,5% in November 2022, compared to November 2021. Still, it slows compared to October 2022 growth (0,8%)(Statistics Denmark). Inflation was of 6% in November 2022, a slow decrease compared to October's 6,2% (Statistics Denmark).</p> | <p>Turnover in construction Type of work:</p>  <p>October 2022 In July 2022, Danish construction output was 5.5%, up slightly from May 2022 (5.1%)(Eurostat).</p> |
| <p>Raw materials & Energies</p> | <p>Procurement</p> | <p>Price / Cost</p> |
| | <p>October 2022</p> | <p>October 2022 Electricity prices for consumers (excluding households) according to their consumption, 1^{er} semester 2022 (Eurostat).</p> |

Before the war in Ukraine, rising energy costs and supply difficulties, **12.1%** of Denmark's energy came from gas, **39.77%** from oil and **6.8%** from coal ([World Data](#)).

Energy consumption by source, Denmark

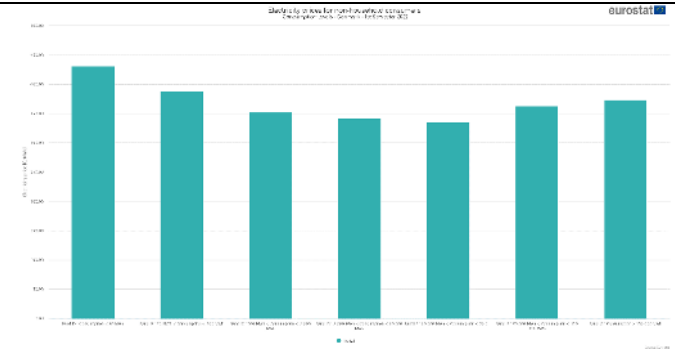
Primary energy consumption is measured in terawatt-hours (TWh). Here an inefficiency factor (the 'substitution' method) has been applied for fossil fuels, meaning the shares by each energy source give a better approximation of final energy consumption.



Source: BP Statistical Review of World Energy
 Note: 'Other renewables' includes geothermal, biomass and waste energy.
 OurWorldInData.org/energy • CC BY

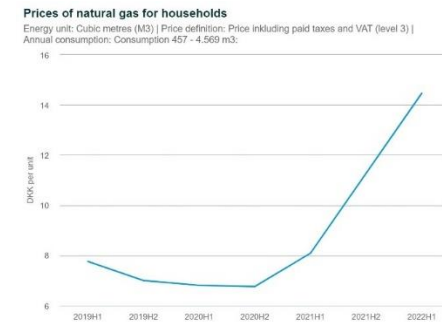
November 2022

On October 1, 2022, the Danish Energy Agency began reviewing the planned closure of three power plants that could temporarily contribute to the security of electricity supply - especially during the winter of 2023/2024. Two of these are coal-fired power plants: Unit 4 of the 360 MW Studstrup power plant has been out of service since April 2022; Unit 3 of the 370 MW Esbjerg power plant is currently in operation and is scheduled to be taken out of service in April 2023 ([Bruegel](#)).



November 2022

Natural gas prices for households, first half of 2022 ([Statistics Office Denmark](#)).



December 2022

Between August and October, the price of electricity fell by two-thirds on Nord Pool, the Nordic region's electricity exchange. This meant the average household's bill for October was less than half that of August – falling from 1,900 to 900 kroner – the lowest the cost has been since May 2022 ([Copenhagen news](#)).

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| Measures adopted by the utilities | <p>September 2022</p> <ul style="list-style-type: none"> • The Danish Agency for Economic Affairs encourages contracting entities to be flexible and engage in dialogue, stating that contracting entities will have to accept price increases from their suppliers resulting from the consequences of the war. • The Competition and Consumer Authority believes that the consequences of the war between Russia and Ukraine can form the basis for the application of the law on public procurement on unforeseen circumstances. <p>October 2022</p> <p>To lessen the impact of rising energy prices on households and businesses, the government has released a budget of 6.2 billion euros in aid (Bruegel).</p> <ul style="list-style-type: none"> • The Danish government set aside €13.4 million to supplement an existing scheme to help vulnerable households with a tax-free payment to help about 400,000 households with their energy bills. In February 2022, the measures were finalized and came into effect with a "heat voucher" (about €800) for 320,000 of the hardest hit households. A €33.6 million fund has also been set up to support the accelerated replacement of individual gas heating systems. • On August 10, 2022, larger heat vouchers than previously indicated were paid to 400,000 households. The final cost of the measure was 320 million euros. • In early 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 fall. This loan scheme will create credit lines costing 6.05 billion euros for the Danish government. • On October 15, 2022, the Danish Energy Agency provisionally set a ceiling price for surplus heat at 93 DKK/GJ, with an expected effective date of January 1, 2023. <p>November 2022</p> <p>The Danish Energy Agency (DEA) has launched a USD 3.6 million energy saving campaign, encouraging citizens and public places to adopt energy saving behaviors (Bruegel).</p> | |
| Positioning of the Federation | | |

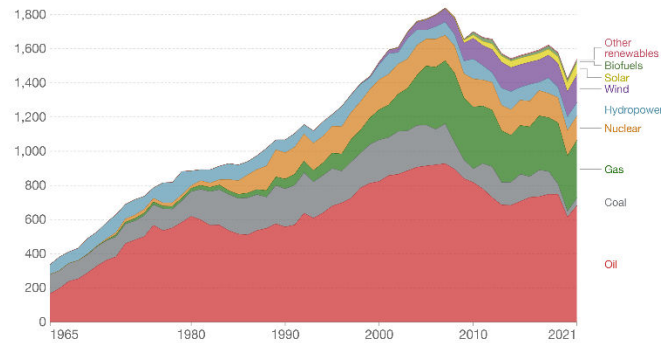
| | |
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| | Spain |
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| Economic conditions | General | Construction | | | | | | | | | | | | | | | | | | | | | |
|----------------------|--|---------------|----------------|---------------|---------------|--------|-------|----------------------|-------|-------|---|--|---------------------|---------------|---------------|-------|-------|--------------|-------|-------|----------------------|-------|-------|
| | <p>September 2022 The war in Ukraine affects the Spanish economy through increased energy costs and disruption of production chains (OECD, June 2022).</p> <p>October 2022 Evolution of the consumer price index, September 2021 - September 2022 (Spanish National Statistics).</p> <p>Consumer Price Index. Base 2021 - September 2022</p> <table border="1"> <thead> <tr> <th></th> <th>Monthly change</th> <th>Annual change</th> </tr> </thead> <tbody> <tr> <td>Overall index</td> <td>-0.7 ↓</td> <td>8.9 ↓</td> </tr> <tr> <td>Inflación subyacente</td> <td>0.2 ↓</td> <td>6.2 ↓</td> </tr> </tbody> </table> <p>1. Corresponde al epígrafe General sin alimentos no elaborados ni productos energéticos de la tabla de Grupos especiales</p> <p>Overall index. Monthly change</p> <p>November 2022 Annual GDP growth was 4.3% in October 2022, with annual inflation of 8.8%, according to the IMF. The INE reports annual inflation of 7.3%, one point lower than in the previous month.</p> | | Monthly change | Annual change | Overall index | -0.7 ↓ | 8.9 ↓ | Inflación subyacente | 0.2 ↓ | 6.2 ↓ | <p>September 2022 The country has experienced a slowdown in construction activity, mainly attributed to the impact that the pandemic is still having, the increase in the inflation rate, the delay in the implementation of the national recovery and resilience plan, and the increase in the price of energy and materials as well as the shortage of some of them. The implementation of the National Recovery and Resilience Plan should lead to a reactivation of the construction activity (10% of its budget will be allocated to it), since it plays a key role in achieving the objectives of building renovation and investments, in the field of sustainable mobility infrastructure (FIEC, 2022).</p> <p>October 2022 Construction output was -0.3% at the end of August 2022. A further decline from July (0.3%). This is also 5.6% less than in August 2021 (Eurostat).</p> <p>November 2022 The annual rate of the housing price index decreases by half a point to 8.0% (Q4). Housing prices increase by 1.9% from the previous quarter (Q3)(NEI).</p> <div style="display: flex; justify-content: space-around;"> <table border="1"> <caption>Housing Price Index. Base 2015 - Quarter 2/2022</caption> <thead> <tr> <th></th> <th>Quarterly variation</th> <th>Annual change</th> </tr> </thead> <tbody> <tr> <td>General index</td> <td>1.9 ↓</td> <td>8.0 ↓</td> </tr> <tr> <td>New dwelling</td> <td>0.1 ↓</td> <td>8.8 ↓</td> </tr> <tr> <td>Second-hand dwelling</td> <td>2.3 ↓</td> <td>7.9 ↓</td> </tr> </tbody> </table> </div> | | Quarterly variation | Annual change | General index | 1.9 ↓ | 8.0 ↓ | New dwelling | 0.1 ↓ | 8.8 ↓ | Second-hand dwelling | 2.3 ↓ | 7.9 ↓ |
| | Monthly change | Annual change | | | | | | | | | | | | | | | | | | | | | |
| Overall index | -0.7 ↓ | 8.9 ↓ | | | | | | | | | | | | | | | | | | | | | |
| Inflación subyacente | 0.2 ↓ | 6.2 ↓ | | | | | | | | | | | | | | | | | | | | | |
| | Quarterly variation | Annual change | | | | | | | | | | | | | | | | | | | | | |
| General index | 1.9 ↓ | 8.0 ↓ | | | | | | | | | | | | | | | | | | | | | |
| New dwelling | 0.1 ↓ | 8.8 ↓ | | | | | | | | | | | | | | | | | | | | | |
| Second-hand dwelling | 2.3 ↓ | 7.9 ↓ | | | | | | | | | | | | | | | | | | | | | |

| | <p>Consumer Price Index. Base 2021 - October 2022</p> <table border="1"> <thead> <tr> <th></th> <th>Monthly change</th> <th>Annual change</th> </tr> </thead> <tbody> <tr> <td>Overall index</td> <td>0.3 </td> <td>7.3 </td> </tr> <tr> <td>Inflación subyacente</td> <td>1.0 </td> <td>6.2 </td> </tr> </tbody> </table> <p>1. Corresponde al epígrafe General sin alimentos ni productos energéticos de la tabla de Grupos especiales</p> <p>Overall Index. Monthly change </p> <p>December 2022 Annual GDP growth was of 3.8% in the third quarter of 2022, with annual inflation of 6.8% (the INE).</p> | | Monthly change | Annual change | Overall index | 0.3 | 7.3 | Inflación subyacente | 1.0 | 6.2 | |
|----------------------|--|---------------------|----------------|---------------|---------------|-----|-----|----------------------|-----|-----|--|
| | Monthly change | Annual change | | | | | | | | | |
| Overall index | 0.3 | 7.3 | | | | | | | | | |
| Inflación subyacente | 1.0 | 6.2 | | | | | | | | | |
| Raw materials | <p style="text-align: center;">Procurement</p> <p>October 2022 Before the war in Ukraine, rising energy costs and supply difficulties, 21.82% of Spain's energy came from gas, 43.82% from oil and 2.88% from coal (World Data).</p> | Price / Cost | | | | | | | | | |

Energy consumption by source, Spain

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.

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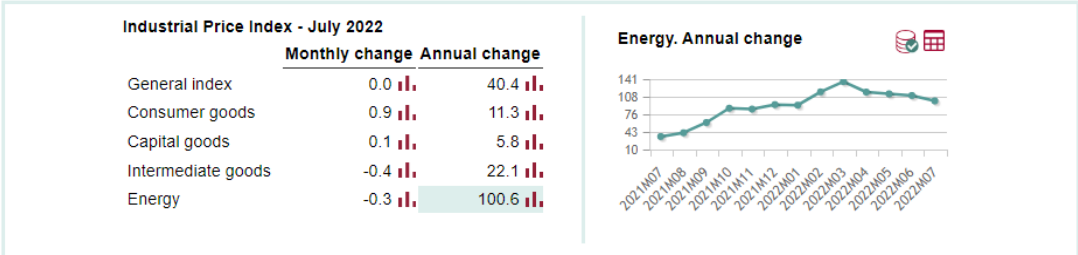
Spain is largely independent of Russian hydrocarbons: according to figures from the Spanish Corporation of Strategic Petroleum Reserves (Cores), as of January 2022, hydrocarbons of Russian origin accounted for only **2% and 6%** of Spain's **oil and gas** imports respectively. Since mid-2021, Spain has halved its imports, making a significant contribution to diversification in Europe. The decommissioning of coal-fired power plants and their replacement by gas, as well as the contributions of nuclear and renewable energy, are also part of the country's contributions to climate and geopolitical risk mitigation ([International Trade Administration](#)).

November 2022

Spain and Portugal are currently working on the creation of a common energy storage solution to mitigate the impact of potential future crises such as the one in Ukraine on energy

prices and supply. Hydrogen, batteries and water are being considered in this project ([Euractiv](#)).

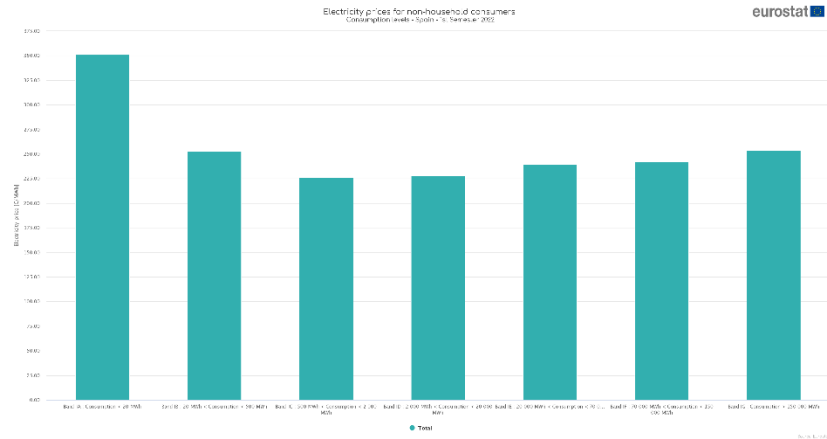
Cost of energy



Energy, whose rate decreased by almost 10 points, reached 100.6%, due to the decrease in the prices of oil refining and production, transport and distribution of electrical energy (remaining higher than in July 2021). On the contrary, the increase in prices of gas manufacturing and distribution of gaseous fuels by network was noticed, since higher than that recorded in 2021 ([National Statistics Spain, August 2022](#)).

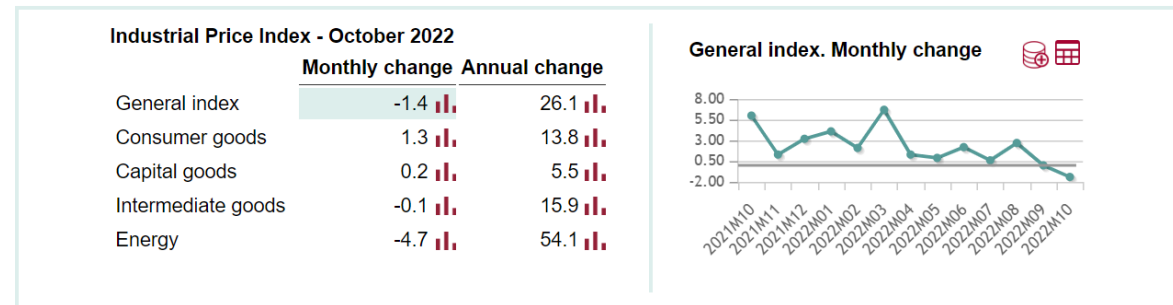
October 2022

Cost of electricity for consumers (excluding households) according to their consumption, 1^{er} semester 2022 ([Eurostat](#)).



November 2022

The energy price index decreased by 4.7% between September and October 2022, although it was still 54.1% higher than in the same period in October 2021 (INE, November 2022).



Measures adopted by the utilities

September 2022

To combat the negative impacts of the war in Ukraine, the Spanish government has implemented a supportive fiscal policy, among other things, through :

- A grant for the sale and purchase of fuel;
- Extension of energy tax rebates;
- Direct aid to energy-intensive sectors, particularly transport;
- New credit offers for companies in difficulty (EUR 10 billion);
- Measures to reduce the impact of rising energy costs (EUR 6 billion)([OECD, June 2022](#)).

The current legal framework in Spain is very restrictive with respect 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 requirements are met. As such, 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 that the lack of a proper price revision system has on businesses, the government approved on March 1, 2022 an exceptional price revision mechanism in public works contracts. Beware, the mechanism is complex and only applies to works that meet a series of restrictive criteria (FIEC, September 2022).

October 2022

On October 13, Prime Minister Pedro Sánchez detailed a new package of measures worth 3 billion euros for vulnerable consumers, or about 1.7 million households. Sánchez said the social energy bonus would be strengthened by increasing the

amount of energy eligible for a discount by 15 per cent. The social energy premium will also be increased by a percentage of 65% or 80% depending on the level of household income. 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 bills. The so-called thermal bonus will be strengthened in 2022 and 2023 for vulnerable households, raising the minimum subsidy amount to €40 and doubling the average subsidy amount to €375 per household ([Bruegel](#)).

November 2022

Spain's left-wing government approved on October 11 a comprehensive energy-saving plan to cut 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 through the Pyrenees, thanks to work on one of the pipelines linking the two countries. It also includes an increase in the loading capacity of LNG carriers transporting gas to other EU countries, primarily 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](#)).

To wit: In August 2022, the government submitted for public consultation a draft Royal Decree regulating the program 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 euros) until December 2024. The fund will grant direct concessions to autonomous communities and cities to subsidize 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 labeling, improvement of air conditioning in data processing centers). In addition, the government will increase by €100 million the Energy Efficiency in Industry program, which was launched in 2019 and will be valid until June 2023. It subsidizes technological improvements in industrial equipment and processes, as well as the implementation of energy management systems, in order to reduce consumption and costs of companies, increase their competitiveness, economic activity and job creation ([Bruegel](#)).

December 2022

The Minister for Transport, Mobility and the Urban Agenda, Raquel Sánchez, has announced the Energy Efficiency Strategy for the State Highway Network (RCE) to reduce energy consumption by 50% between 2022 and 2028. Thus, the Ministry plans to invest some 510 million euro in modernising the lighting system, generate savings in energy demand and be less dependent on fossil fuels. The Strategy contemplates acting on lighting in tunnels and in open-air sections, where intelligent lighting management systems will be implemented and the change from high-pressure sodium vapor luminaires to LED technology will be encouraged. Replacing the luminaires will generate savings of between 30 and 40%, being able to reach 70% if the

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| | deployment of intelligent lighting management systems is added, which allow it to be regulated depending on the presence or absence of vehicles and users (Spain Today News). |
| Positioning of the Federation | |

| | Estonia | |
|----------------------------|--|---|
| Economic conditions | General | Construction |
| | <p>September 2022 After annual growth of 8.2% in 2021, Estonian GDP is expected to slow due to inflation and the war in Ukraine (1.3% in 2022 and 1.8% in 2023). In April 2022, inflation reached a record level of 19% (April 2021-April 2022), mainly in the energy and food sectors (OECD, June 2022).</p> <p>October 2022 New inflation record for Estonia, reaching 21% in 2022. GDP was 1% in 2022 (down from 8% in 2021)(IMF).</p> <p>December 2022 Estonian inflation reached 21.3% in November 2022, compared to November 2021. However, the annual change compared to the year 2021 is of 4,6% in 2022 (Statistics Estonia).</p> <p>According to Statistics Estonia, in the third quarter of 2022, GDP fell by 2.4% year on year. The GDP at current prices was 9.3 billion euros (Statistics Estonia).</p> | <p>September 2022 According to Statistics Estonia, in the second quarter of 2022, the total value of output of Estonian construction companies decreased by 1.4% year-on-year at constant prices. Looking only at the Estonian construction market, the volume of construction decreased by 1.8%.</p> <p>The output value of Estonian construction companies amounted to EUR 1 079 million. Building construction accounted for EUR 697 million and civil engineering EUR 382 million. Compared to the second quarter of 2021, the volume of building construction decreased by 8% and the volume of civil engineering works (roads, bridges, port facilities, pipelines, communication and power lines, sports fields, etc.) increased by 14% (August 2022).</p> <p>November 2022 According to Statistics Estonia, in the third quarter of 2022, the total value of output of Estonian construction companies in Estonia and abroad decreased by 3% year-on-year at constant prices. Considering only the domestic market, the</p> |

Russian-Ukrainian conflict, impact on the construction sector - A. Canton, Rev. F. Dastugue 11/01/2023

| | <p>Contribution of economic activities to GDP growth, 3rd quarter 2022</p> <p>Source: Statistics Estonia</p> <table border="1"> <caption>Contribution of economic activities to GDP growth, 3rd quarter 2022 (percentage points)</caption> <thead> <tr> <th>Economic Activity</th> <th>Contribution to GDP growth</th> </tr> </thead> <tbody> <tr><td>Professional, scientific and technical activities</td><td>1.5</td></tr> <tr><td>Construction</td><td>1.5</td></tr> <tr><td>Accommodation and food service activities</td><td>0.5</td></tr> <tr><td>Manufacturing</td><td>0.4</td></tr> <tr><td>Transportation and storage</td><td>0.3</td></tr> <tr><td>Administrative and support services</td><td>0.2</td></tr> <tr><td>Education</td><td>0.1</td></tr> <tr><td>Arts, entertainment and recreation</td><td>0.1</td></tr> <tr><td>Other service activities</td><td>0.1</td></tr> <tr><td>Public administration and defence</td><td>0.1</td></tr> <tr><td>Information and communication</td><td>0.1</td></tr> <tr><td>Human health and social work activities</td><td>0.1</td></tr> <tr><td>Mining and quarrying</td><td>0.1</td></tr> <tr><td>Water supply, sewerage, waste management and remediation activities</td><td>0.1</td></tr> <tr><td>Wholesale and retail trade</td><td>0.1</td></tr> <tr><td>Financial and insurance activities</td><td>0.1</td></tr> <tr><td>Real estate activities</td><td>0.1</td></tr> <tr><td>Electricity, gas, steam and air conditioning supply</td><td>0.1</td></tr> <tr><td>Agriculture, forestry and fishing</td><td>-3.2</td></tr> </tbody> </table> <p>● Contribution to GDP growth</p> | Economic Activity | Contribution to GDP growth | Professional, scientific and technical activities | 1.5 | Construction | 1.5 | Accommodation and food service activities | 0.5 | Manufacturing | 0.4 | Transportation and storage | 0.3 | Administrative and support services | 0.2 | Education | 0.1 | Arts, entertainment and recreation | 0.1 | Other service activities | 0.1 | Public administration and defence | 0.1 | Information and communication | 0.1 | Human health and social work activities | 0.1 | Mining and quarrying | 0.1 | Water supply, sewerage, waste management and remediation activities | 0.1 | Wholesale and retail trade | 0.1 | Financial and insurance activities | 0.1 | Real estate activities | 0.1 | Electricity, gas, steam and air conditioning supply | 0.1 | Agriculture, forestry and fishing | -3.2 | <p>volume of construction decreased by 4%. This slowdown is mainly due to the continuous rise in construction costs (Statistics Estonia).</p> <p>December 2022 Construction price index increased by 8.3% between 2021 third quarter and 2022 third quarter (Statistics Estonia).</p> |
|---|---|---|----------------------------|---|-----|--------------|-----|---|-----|---------------|-----|----------------------------|-----|-------------------------------------|-----|-----------|-----|------------------------------------|-----|--------------------------|-----|-----------------------------------|-----|-------------------------------|-----|---|-----|----------------------|-----|---|-----|----------------------------|-----|------------------------------------|-----|------------------------|-----|---|-----|-----------------------------------|------|--|
| Economic Activity | Contribution to GDP growth | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Professional, scientific and technical activities | 1.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Construction | 1.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Accommodation and food service activities | 0.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Manufacturing | 0.4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Transportation and storage | 0.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Administrative and support services | 0.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Education | 0.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Arts, entertainment and recreation | 0.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other service activities | 0.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Public administration and defence | 0.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Information and communication | 0.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Human health and social work activities | 0.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mining and quarrying | 0.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Water supply, sewerage, waste management and remediation activities | 0.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Wholesale and retail trade | 0.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Financial and insurance activities | 0.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Real estate activities | 0.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Electricity, gas, steam and air conditioning supply | 0.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Agriculture, forestry and fishing | -3.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Raw materials</p> | <p>Procurement</p> <p>October 2022 Estonia is one of the most energy-independent countries in the EU, thanks to oil shale mined in the country, which accounted for 56 per cent of Estonian energy in 2020. Biofuels - mainly wood chips - account for 26% of energy, gas 7%, other renewables 6% and other fossil fuels 5%. 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 fall 2022. The LNG is expected to be primarily of U.S. origin (International Trade Administration).</p> | <p>Price / Cost</p> <p>October 2022 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. The construction price index expresses the change in the cost of construction activities at the direct cost level and is divided into three main groups: labor, construction machinery and materials.</p> <p>According to Statistics Estonia, the value of the construction price index in the third quarter compared to the same period</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

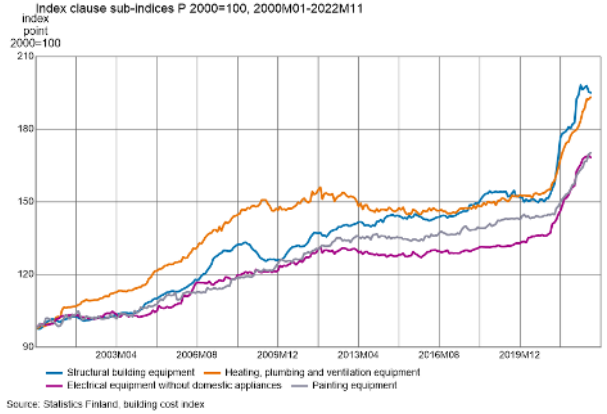
| | | <p>in 2021 was mainly affected by the increase in the price of materials, which accounted for two-thirds of the total increase in the index. "Compared to the second quarter of this year, spending on labor increased by 2.9% and for materials by 4.4%" (EEEL).</p> <p>November 2022 The construction 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: labor, 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 (Statistics Estonia)(EEEL).</p> | | | | | | | | | | | | | | | | | | | | |
|------------------------------------|--|--|-------|-----|-----|---------------------------------|------------|-------|-------|-------------------------------|------------|-------|-------|----------------------------|------------|-------|-------|------------------------------------|------------|-------|-------|--|
| <p>Cost of energy</p> | <p>September 2022 According to Eurostat, the highest increase in electricity prices for households in the EU is in Estonia (50.2%). In 2022, an Estonian worker will have to work 26 days longer than in 2021 to pay his annual energy bill.</p> <p style="text-align: center;">Estonia fuel prices, electricity prices</p> <p style="text-align: center; font-size: small;">The table below shows the most recent prices per liter of octane-95 gasoline, regular diesel, and other fuels. These are retail (pump) level prices, including all taxes and fees. The information is updated weekly.</p> <table border="1" data-bbox="869 1034 1715 1212"> <thead> <tr> <th>Fuels, price per litre</th> <th>Date</th> <th>EUR</th> <th>USD</th> </tr> </thead> <tbody> <tr> <td>Gasoline prices</td> <td>19.09.2022</td> <td>1.829</td> <td>1.824</td> </tr> <tr> <td>Diesel prices</td> <td>19.09.2022</td> <td>1.849</td> <td>1.844</td> </tr> <tr> <td>LPG prices</td> <td>19.09.2022</td> <td>0.871</td> <td>0.868</td> </tr> <tr> <td>Heating Oil prices</td> <td>19.09.2022</td> <td>1.427</td> <td>1.423</td> </tr> </tbody> </table> <p>December 2022 Statistics Estonia said that, compared with October 2021, the consumer price index was affected the most by housing-related price changes, which accounted for a third of the total increase. Partial energy price compensation measures for electricity, gas,</p> | Fuels, price per litre | Date | EUR | USD | Gasoline prices | 19.09.2022 | 1.829 | 1.824 | Diesel prices | 19.09.2022 | 1.849 | 1.844 | LPG prices | 19.09.2022 | 0.871 | 0.868 | Heating Oil prices | 19.09.2022 | 1.427 | 1.423 | |
| Fuels, price per litre | Date | EUR | USD | | | | | | | | | | | | | | | | | | | |
| Gasoline prices | 19.09.2022 | 1.829 | 1.824 | | | | | | | | | | | | | | | | | | | |
| Diesel prices | 19.09.2022 | 1.849 | 1.844 | | | | | | | | | | | | | | | | | | | |
| LPG prices | 19.09.2022 | 0.871 | 0.868 | | | | | | | | | | | | | | | | | | | |
| Heating Oil prices | 19.09.2022 | 1.427 | 1.423 | | | | | | | | | | | | | | | | | | | |

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| | <p>and district heating came into force in October. Also, starting from October, households could buy electricity as a universal service, the price of which is formed based on the producer price confirmed by the Competition Authority. “Solid fuels were 111.4%, gas 88.8%, electricity that reached homes 83.7%, and heat energy 49.1% more expensive. The price changes of food and non-alcoholic beverages accounted for nearly 30% of the total rise in the index. Petrol was 21.9% and diesel fuel 42.6% more expensive” (Statistics Estonia).</p> |
| <p>Measures adopted by the utilities</p> | <p>September 2022 The government has released a budget of EUR 257 million to combat inflation and the repercussions of the war in Ukraine:</p> <ul style="list-style-type: none"> • Strengthen energy security (investments in liquefied gas and gas reserves); • Tax assistance for households in difficulty, especially for energy bills; • Increase the subsistence level from 150 to 200 EUR per month (OECD, June 2022). <p>October 2022</p> <ul style="list-style-type: none"> • On January 25, 2022, the Estonian government approved a price cap on electricity (€0.12/kWh) and gas (€65/MWh) for households and the elimination of electricity distribution fees for businesses (previously reduced by only half), in an effort to mitigate the negative effects of rising energy prices. These benefits were valid from January to March. • On September 14, 2022, a statement by Prime Minister Kaja Kallas indicated that in order to lower 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. • On August 25, 2022, 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 (up from 40%). The goal is to ensure a renewable energy supply of 650 GW in January 2023, and at least 500 GW in 2024 and 2025 through wind and solar capacity. • On September 22, 2022, the government announced that the draft state budget for 2023 envisaged an energy subsidy equal to €50/MWh of electricity for domestic consumers, and that it would cover 80% of price increases above €80/MWh. Similarly for gas and central heating, it would compensate 80% of price increases. Households will see their bills automatically reduced by this subsidy from October 2022. He also announced investment subsidies for the energy security of large industries (Bruegel). |
| <p>Positioning of the Federation</p> | <p>September 2022</p> |

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| | <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 did not receive any support in view of 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 work in 2022 (about EUR 1 billion), it therefore estimates the total amount of increases in the cost of state construction work at about EUR 150-200 million (in 2022). In response, the EEEL has opened a discussion with the government about the introduction of exceptional measures in response to major forces (including planning for additional investments to cover an unforeseen extra budget)(EEEL, July 2022).</p> <p>October 2022</p> <p>The Estonian Construction Association made a public appeal to the Government of the Republic of Estonia on October 12, 2022, to alert them to the worrying situation of the construction sector and the need to support it in the long term: "We ask you to keep the construction sector going by significantly increasing public investment in the construction sector and the support measures needed 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" (EEL).</p> |
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| | Finland | |
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| Economic conditions | General | Construction |
| | <p>September 2022</p> <p>The Finnish economy grew by 3.5% in 2021. GDP will continue to grow at a slower pace, around 1.0% in 2022. The war in Ukraine has reduced projected GDP growth from 3.0% to 1.0% (FIEC, 2022).</p> <p>October 2022</p> | <p>October 2022</p> <p>In August 2022, Finnish construction output was 0.2% (0.1% in July & -0.1% in June)(Eurostat).</p> <p>Construction will continue to grow by 2% this year, supported by the older work base and continued strong housing construction. Volume growth has slowed since the spring and will be negative by the end of 2022. High inflation and the</p> |

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| | <p>Finland's GDP was 8.1% in September 2022 (Statistics Finland), while inflation was 6.5% (IMF).</p> <p>November 2022 In October 2022, annual inflation continued to rise, reaching 8.3%. One reason for the increase in inflation was the rise in the average interest rate on housing loans (Statistics Finland).</p> <p>December 2022 Inflation reached 9.1% in November 2022. Consumer prices were raised most in November by increases in the price of electricity and average interest rate on housing loans as well as increases in the prices of diesel and consumer credits from one year ago. The rising of consumer prices from one year back was curbed most by reductions in the prices of non-refundable prescription medicines. The month-on-month change of consumer prices was 1.2%, which was caused by increases in the prices of electricity and higher average interest rate on housing loans (Statistics Finland).</p> | <p>end of zero interest rates are negatively impacting consumer confidence and construction projects exceptionally well, the Finnish Construction Confederation RT (RT) believes.</p> <p>November 2022 According to Statistics Finland, construction costs increased by 5.9% in October 2022 compared to the previous year. Among materials, the largest increases for the year were for steel structures (15.3%) and thermal insulation (25.5%). The decrease in costs for wood structures continued and the change from the previous year was -10.8% (Statistics Finland).</p> <p>Civil engineering costs increased by 14.3% between October 2021 and October 2022. The annual change in costs varies by sub-index, from 17.4% for paving to 7.0% for concrete structures (Statistics Finland).</p> <p>Adjusted sales for construction companies increased by 10.7% in September 2022 compared to the previous year. Sales volume, with the impact of price changes eliminated, increased by 3.2%.</p> <p>The adjusted turnover of construction increased by 8.6% and the sales volume by 2.8% compared to the previous year. Adjusted civil engineering turnover increased by 20.1% and sales volume by 3.8% compared to the previous year. The lower development of sales volume compared with turnover is due to the stronger than usual growth in civil engineering prices in September (Statistics Finland).</p> <p>December 2022</p> |
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| | | <p>According to Statistics Finland, the turnover of construction enterprises grew by 7.5% in October 2022 compared to the year before. The volume of sales, from which the impact of price changes has been eliminated, increased by 1.2% (Statistics Finland).</p> <p>According to Statistics Finland, building costs rose by 5.5% in November 2022 from November 2021. Nevertheless, the monthly change in the total index dropped to zero and was negative in several input headings. Among materials, the biggest increases in the year were recorded in heat insulation (20.9%). Costs decreased most per month in steel structures (-1.8%) and roofing materials (-5.1%)(Statistics Finland).</p>  <p>Index clause sub-indices P 2000=100, 2000M01-2022M11</p> <p>index point 2000=100</p> <p>210 180 150 120 90</p> <p>2003M04 2006M08 2009M12 2013M04 2016M08 2019M12</p> <p>— Structural building equipment — Heating, plumbing and ventilation equipment — Electrical equipment without domestic appliances — Painting equipment</p> <p>Source: Statistics Finland, building cost index</p> |
| Raw materials | Procurement | Price / Cost |
| | <p>September 2022 As far as Finland's energy supply is concerned, in one month 85% of its oil imports from Russia have been replaced by imports from Sweden and Norway. Its gas imports (7% of Finland's final energy consumption) remain a problem and</p> | <p>September 2022 According to Statistics Finland, construction costs increased by 6.8% in August 2022 compared to a year earlier. Among materials, the largest increases were for steel structures (24.9%) and thermal insulation (22.7%). Wood structures</p> |

should be compensated by liquefied natural gas (LNG) imports. Finland will also become more independent from Russia thanks to a new nuclear power plant that started operating in March 2022, which is expected to reach full capacity in July and cover 14% of Finland's total electricity consumption ([COFACE, May 2022](#)).

November 2022

Gas infrastructure development: The Hamina LNG terminal is a facility located in the Kymenlaakso region. The operator is Hamina LNG Oy, the cost is estimated at EUR 100 million and commercial operations were expected to start in October 2022. The capacity is estimated at 0.37 bcm/year, but there are already plans to increase it soon.

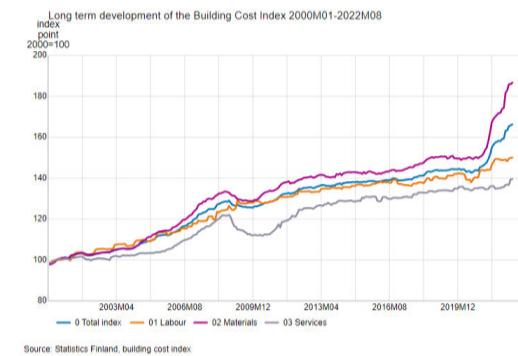
Coal: On September 16, 2022, Fortum announced that Finland's last coal-fired power plant Meri-Pori would undergo an annual shutdown in October so that it could be deployed for commercial use at its full 560 MW capacity starting in November 2022 ([Bruegel](#)).

December 2022

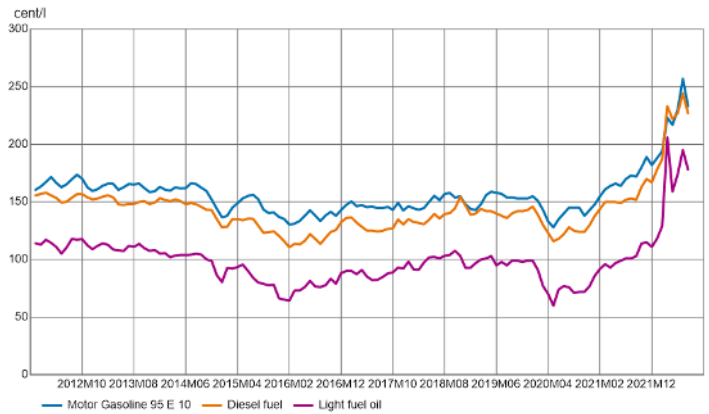
Pipelines of up to 5,000 kilometers in length are planned to connect the Baltic Sea region and Central Europe by 2030.

A project called Baltic Sea Hydrogen Collector (BHC), as well as other previously launched projects, are expected to complement the EU's hydrogen strategy as well as the REPowerEU plan. They will also support the EU's climate objectives, such as the Green Pact for Europe and the Fit for 55 packages.

continued to decline in cost, with a year-over-year change of -7.9% (September 2022).



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| | <p>The Baltic Sea Hydrogen Collector (BHC) project launched on Dec. 16 by Finnish company Gasgrid, 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 the islands of Gotland in Sweden and Bornholm in Denmark (Euractiv).</p> | |
| <p>Cost of energy</p> | <p>September 2022</p> <ul style="list-style-type: none"> • The pre-tax price of natural gas in June 2022 was about three times higher than in June 2023. • Liquid transportation fuels appear to have peaked in price in the summer. In June 2022, gasoline prices were 57% higher and diesel prices 64% higher than a year earlier. • The total price of electricity for a typical inhabitant of an apartment building was, on average, 15% higher in June 2022 and for an inhabitant of a single-family house heated with electricity the price was 12% higher than a year earlier (Statistic Finland, September 2022). <p>October 2022 Cost of liquid fuels (Statistics Finland).</p> | <p>Price of motor gasoline and diesel fuel 2019M01-2022M07</p> <p>Source: Statistics Finland, energy prices, consumer price index</p> |

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| | <p style="text-align: center;">Consumer Prices of Liquid Fuels 2012M01-2022M07</p>  <p style="text-align: center;">Source: Statistics Finland, Energy prices, Consumer price index</p> |
| <p>Measures adopted by the utilities</p> | <p>September 2022</p> <p>The government has decided on temporary targeted measures in response to rising energy prices. The 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"> • Since the beginning of 2021, the electricity tax for industrial users, data centers 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 centers. 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 370 million euros lower than in 2020. • The maximum deduction for travel expenses between home and work will be temporarily increased from 7,000 to 8,400 euros in taxes for 2022. 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). • 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 (Finnish Government, February 2022). <p>October 2022</p> |

- On September 1, 2022, the government presented the draft state budget for 2023, in which it proposes to **reduce the VAT on the sale of electricity from 24 percent to 10 percent between January 1, 2023 and April 30, 2023**. The reduction in VAT on electricity would only apply to the sale of electricity, not to the transmission 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 train, bus, cab, air and sea transport. Low-income households whose monthly electricity bill exceeds the €400 deductible (up to a maximum of €1500) will be entitled to a **subsidy covering 60% of the bill for four months between 1.1.2023 and 30.4.2023**. According to estimates, these measures would affect about 252,000 households.
- On September 4, 2022, the government agreed to set up a €10 billion emergency facility of loans and credit guarantees to help utilities weighed down by soaring demands for guarantees as they trade in volatile electricity markets to meet short-term liquidity needs ([Bruegel](#)).

November 2022

- On October 5, 2022, the government implemented an energy-saving program in state properties that aims to save 50-75 GWh and up to 10 million euros in energy costs. The "One Step Lower" campaign, which kicked off during Energy Savings Week on October 10, 2022, encourages all businesses, organizations and individuals to save energy (less hot showers, lower heating temperatures, energy-saving cycles for the dishwasher, etc.)([Bruegel](#)).

December 2022

The proposal by Finnish Prime Minister Sanna Marin of the Social Democratic Party (SPD) to set a possible cap on electricity prices has caught the opposition and her government colleagues off guard.

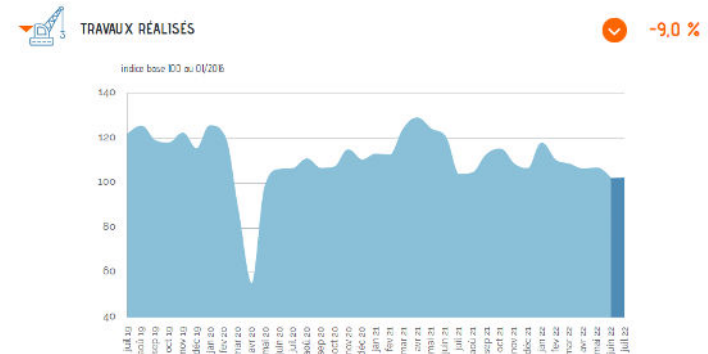
Finnish electricity production has suffered a triple blow: low temperatures, difficulties at the Olkiluoto 3 nuclear reactor and the lack of wind affecting wind power production have led to a spike in electricity prices. On Dec. 14, the price per kilowatt hour on electricity exchanges was over 60 cents.

Ms. Marin then announced that she would organize an all-party meeting on December 19 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 has also been criticized. 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 lowered VAT on electricity ([Euractiv](#)).

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| Positioning of the Federation | <p>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 plight of the companies, RT has, among other things, proposed to the state a time-limited tax reduction on light fuel oil and that, in commercial activities, the tax be reduced to the EU minimum (RT, 2022).</p> <p>RT published a report on the impact of the crisis in Ukraine on the construction sector (report available here, in Finnish).</p> |
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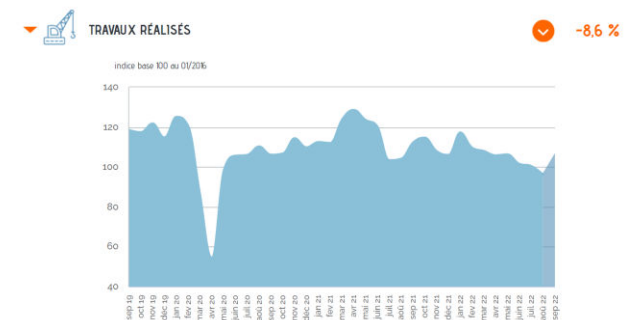
| | France | |
|---------------------|---|---|
| Economic conditions | General | Construction |
| | <p>September 2022 After a strong rebound in 2021, real GDP is expected to grow by 2.4% in 2022 and 1.4% in 2023. The wave of COVID-19 in early 2022, the war in Ukraine, supply chain disruptions, and rising energy prices have clouded the economic outlook. Headline inflation is expected to reach 5.2% in 2022 and 4.5% in 2023, weighing on household purchasing power and consumption growth. Wage growth will accelerate due to significant labor shortages and the indexation of the minimum wage. As employment growth slows, the unemployment rate will gradually rise to 8% (OECD, June 2022).</p> <p>October 2022 France grew by 0.5% in the second half of 2022 (INSEE).</p> <p>November 2022 In the third quarter of 2022, GDP slowed after the rebound recorded in the previous quarter (+0.2% in volume, after +0.5%), while annual inflation reached 6.2% in October (1% increase between September and October)(INSEE).</p> <p>December 2022</p> | <p>September 2022</p> <p>Building After the historic 15% drop-in activity in 2020, construction has rebounded, excluding the price effect, by 12% in 2021, leaving 5% below the pre-crisis level. However, the 5% increase in prices will bring 2021 sales to EUR 149 billion excluding taxes, as in 2019. Moreover, due in particular to the inclusion of work-study students in the workforce, the sector will have a total of 1 756 000 employees, including 1 245 000 salaried workers and 108 000 temporary workers in full-time equivalent jobs (FFB, June 2022).</p> <p>Public Works Work performed was almost stable in July 2022, compared with the previous month, at a low level. Activity remains lower by -1.6% compared to July 2021 in constant euros (+9.6% in current euros), taking into account an average rate of inflation in production costs of more than +10% over the first six months of the year compared to the first half of 2021 (FNTP, September 2022).</p> |

In November 2022, the consumer price index (CPI) increased by 0.3% over one month, after +1.0% in October. Prices for energy (+0.9% after +5.8%), food (+0.5% after +1.7%) and - to a lesser extent - manufactured goods (+0.4% after +0.8%) slowed. Services prices remained almost stable in November (+0.1% after +0.0% in October)([INSEE](#)).

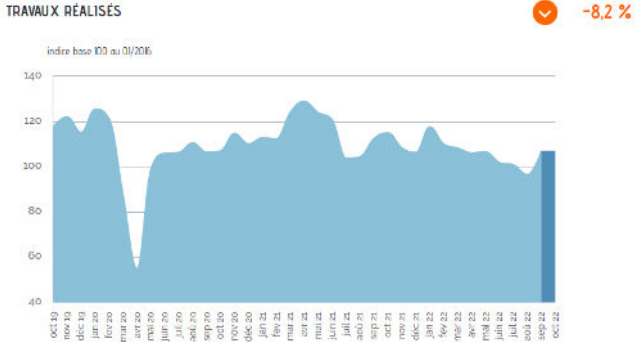


November 2022

September 2022 was marked by a rebound in activity of +10.2% compared to August, which allowed Public Works to return to its pre-summer level. However, the trend for the 3^{ème} quarter of 2022 remains bearish and billings are 5.2% lower than in Q3 2021. On the production cost side, the TP01 index, which has been rising steadily since the end of 2021, dipped slightly in August 2022 (-0.2% over one month) but posted an annual rate of +9.4% ([FNTF](#)).

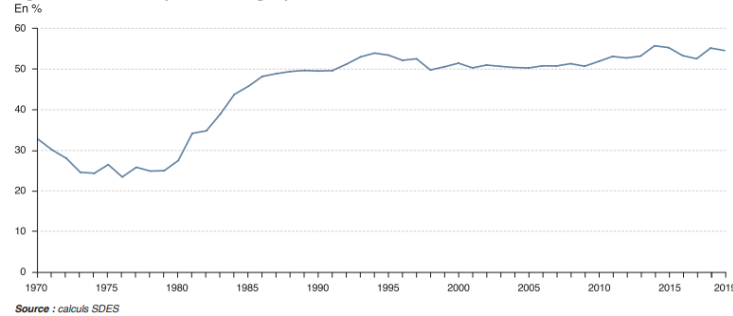


December 2022

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| | | <p>The momentum of activity observed in September has not continued in October, allowing the sector to catch its breath. However, this trend is not growing and does not allow for the hoped-for recovery: even if it were to continue until the end of the year, Public Works production would show a decline of -6.6% in 2022 compared to 2021 (FNTP).</p>  |
| <p>Raw materials</p> | <p style="text-align: center;">Procurement</p> <p>For several months, France has been facing a shortage of raw materials in several sectors. The sectors affected by shortages are food and beverages (82%), and almost as much the automotive industry (78%) - notably because of the semiconductor crisis, metallurgy (75%) and fashion and luxury goods (74%). But all sectors are concerned and only two have a minority of companies reporting these difficulties, finance at 42% and IT/telecom at 38% (La Tribune, 2022).</p> <p>Despite nuclear power, despite renewable energies, despite a more controlled consumption, France remains highly dependent on oil and gas imports. The country's energy independence rate is 53.1%, according to figures from the General Commission for Sustainable Development. 17% of</p> | <p style="text-align: center;">Price / Cost</p> <p>October 2022</p> <p>The rise in production costs in Public Works accelerated in the second quarter of 2022 by +5.5% compared to the previous quarter. This is the consequence of this strong energy inflation which weighs directly on companies (fuel, gas, electricity) or indirectly via their supplies of materials which are also impacted. Over one year, the increase in public works costs amounts to +14.7% (FNTP).</p> <p>The sharp rise in 2021 has been followed by an equally dramatic increase in materials costs, particularly in civil engineering, where they rose by 14% in Q2 2022 on a quarterly basis (+5.9% for specialized public works). Despite recent signs of a slowdown, production prices for metal</p> |

French gas came from Russia, with Norway remaining the main source of gas for France (36%)([Les Echos, 2019](#)).

Figure 2.1.2 : taux d'indépendance énergétique



Source : calculs SDES

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 located 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 October 1, 2022 to the end of March 2023 ([Bruegel](#)).

products are peaking at very high levels, including +53% for steel in construction in August 2022 year-to-date. The chemical and plastics industry has not been spared (+35% over the same period for plastics), nor have mineral products, whose production is energy-intensive, recording, for example, +22% for cement, lime and plaster over the same period. In line with oil prices, the price of bitumen has also seen a notable evolution ([FNTP](#)).

After a period of calm during the health crisis, then a gradual rise in 2021 (+14% annualized for diesel and +24% for RNG), fuel prices have exploded following the outbreak of the crisis in Ukraine. This inflation led the government to implement discount schemes to help professionals and individuals, which had a significant impact until mid-September. However, the trend has since been reversed with diesel prices rising by 16% between the weeks of 26 September and 3 October 2022. In addition, the reduction in the fuel discount from the end of November and the fuel shortages observed at many service stations following the strikes, suggest that prices will continue to rise throughout October ([FNTP](#)).

November 2022

In October 2022, the euro price of oil rebounded (+4.8% after -8.8% in September). Conversely, prices of imported raw materials (excluding energy) fell again in euro terms (-0.9% after -3.4%): those of industrial raw materials continued to decline (-1.9% after -4.1%) and those of food raw materials fell very slightly (-0.2% after -2.9%). More information on [INSEE](#).

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| | | <p>The rise in production costs in Public Works accelerated in the second quarter of 2022 by +5.5% compared to the previous quarter. This is the consequence of this strong energy inflation which weighs directly on companies (fuel, gas, electricity) or indirectly via their supplies of materials which are also impacted. Over one year, the increase in public works costs amounts to +14.7% (FNTF).</p> <p>December 2022 In November 2022, the euro price of oil fell (-5.5% after +4.8% in October). The euro prices of imported raw materials (excluding energy) continued to fall (-4.0% after -0.9%) and those of industrial raw materials decreased again (-1.4% after -1.9%)(INSEE).</p> |
| <p>Cost of energy</p> | <p style="text-align: center;">Evolution de l'indice des coûts des matériaux et de l'énergie dans les travaux publics</p> <p style="text-align: center;">Source : Insee, base 100 en 2015</p> | |
| <p>Measures adopted by the utilities</p> | <p>September 2022</p> <ul style="list-style-type: none"> Regulated gas and electricity rates capped; | |

- The energy voucher for the most modest households has been increased;
- Lower taxes on road fuels;
- Increased targeted subsidies to businesses (with conditions);
- Housing Tax Relief;
- Corporate Income Tax Relief ([OECD, June 2022](#));
- Aid granted to companies, of all sizes and in all sectors, whose gas and electricity costs represent at least 3% of turnover;
- For companies in the construction sector, the Government will ask public actors to apply, when possible, the doctrine of unforeseeability for contracts that do not contain a price revision clause and not to apply delay penalties when the contract is being executed.
- Bankruptcy protection measures (state-guaranteed loan, industrial growth loan, state-guaranteed liquidity facility...)(FIEC, 2022).

October 2022

- On September 14, 2022, the government announced that the tariff shield, already extended until December 2022 for gas, and until February 1, 2023 for electricity, will be renewed in 2023.
The scheme includes: a 15% cap on the increase in gas and electricity prices; a limit on the average increase in bills of about €25 per month for households heating with gas; a limit on the average increase of about €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.
- On October 6, 2022, the government officially presented the "**Energy Sobriety**" plan, which aims to reduce energy consumption by 10% over the next two years compared to 2019. The plan aims to **consume less energy and improve the energy efficiency of households, businesses, public buildings and transport**. The package includes financial support for households to change heating systems through the MaPrimeRenov program; the sustainable mobility package granted to 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 is offering a bonus ranging from €30 to €120, depending on the energy savings achieved by households heating with electricity that reduce their electricity consumption by at least 5% between November 31, 2022 and March 1, 2023 ([Bruegel](#)).
- In a context where rising prices and supply difficulties are causing tensions in the execution of public contracts, the government asked the Conseil d'état about **possible price changes and the application of the theory of unforeseeability in current contracts**. On 15 September, the Council issued a favourable opinion, albeit within a framework ([FFB](#)).

November 2022

- On the occasion of the "24 hours of building", the Minister of Economy, Bruno Le Maire, announced the effective opening of the "**simplified single window**", a project unveiled a month ago to support businesses facing the energy crisis. However, access to this window still requires an energy consumption of more than 3% of turnover. Building companies will therefore only very rarely be concerned ([FFB](#), Aides aux entreprises).
- **Energy crisis, the new window of aid to the accessible companies: Ten billion euros to help the companies to face the explosion of the prices of the energy and so to prevent a wave of bankruptcies.** It is the envelope promised by the government which revised the operation of its first device of support. Objective: to touch "more companies with an intensity of stronger helps and proportionate to the increase of the invoice" of 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 bill payment assistance, 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. On the other hand, energy expenses during the application period must represent more than 3% of last year's turnover ([Les Echos](#)).
- **In a joint statement issued 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 lower prices for consumers and industry*" and say they are in favor of a "*structural reform of the electricity market*" to achieve a 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 materials supply ([Euractiv](#)).

December 2022

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

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

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| | <ul style="list-style-type: none"> • Bruno Le Maire, 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 million in guarantees to support Ukraine's critical infrastructure. Through a risk-sharing mechanism between the French government and the EBRD, these guarantees will make it possible to provide €200 million in emergency liquidity to two Ukrainian public companies: the national energy operator Naftogaz, for the purchase of gas needed for the winter period, and the national company of Ukrainian Railways (UZ), for the implementation of priority expenditures. • France has signed three agreements meeting the needs of key sectors of the Ukrainian real economy: <ul style="list-style-type: none"> - 37.6 million euros in financing from a concessional loan from the Treasury for the supply of 20,000 tons of rail produced in France by the company Saarstahl should firstly enable the repair of more than 150 km of Ukrainian railroads. - A second agreement signed between Matière and the Ukrainian governmental road agency UkrAvtodor, aims at starting the project of supplying about 25 bridges in kits, for which France will offer financing. - 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 (economie.gouv). |
| <p>Positioning of the Federation</p> | <p>September 2022</p> <p>Faced with rising prices and shortages of raw materials, the FFB has submitted an urgent request to the public authorities for 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 full coverage of the partial activity that would result from shortages. With regard to public contracts, the FFB is demanding that the State systematically take into account requests for compensation, amendments to the contract and the non-application of penalties for delay, as well as the implementation of the theory of unforeseeability, both in public and private contracts, with a view to imposing a renegotiation of prices for as long as the conflict lasts (BatiActu, March 2022).</p> <p>October 2022</p> <p>The action of the FFB has borne fruit (accompanied by the MEDEF and the CPME): Faced with soaring electricity rates, Bruno LE MAIRE, Minister of the Economy, proposed to the professional organizations meeting on October 21 the establishment 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 companies that do not benefit from the energy shield. With a maximum of 10 billion euros, it will replace the aid for large energy consumers, which is not working well.</p> <p><u>In detail, with regard to the supply of electricity :</u></p> <ul style="list-style-type: none"> • On average, companies already benefit from the fixed and regulated rate of Arenh (nuclear and hydraulic electricity shared between energy suppliers), which will probably amount to 49.5 €/MWh as of 1/01/2023, on 50% of their bill ; |

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| | <ul style="list-style-type: none"> • 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 higher than €325 and up to a ceiling that has yet to be defined; • The complement would remain sold at the market price, today around 500 €/MWh. <p>The new aid would be charged directly to the invoice (no forms to fill out, no documents to provide)(FFB).</p> |
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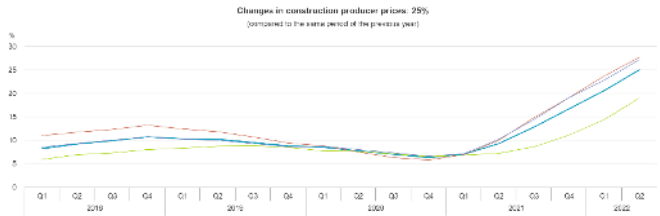
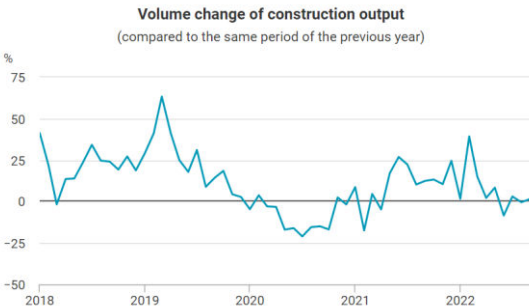
| | | Greece | |
|---------------------|--|---|--|
| Economic conditions | General | Construction | |
| | <p>September 2022 The Greek economy is showing resilience, flexibility, and dynamism, despite the uncertainty caused by the recurrent waves of the pandemic, but also by the new challenges related to the Russian invasion in Ukraine. In 2021, GDP at constant prices grew by 8.3%, marking one of the best performances in the eurozone and almost fully offsetting the 9% contraction in 2020. In 2021, headline inflation in Greece was 0.6%, mainly due to rising energy and food prices. It was well below the eurozone average. In the baseline scenario, inflation is expected to accelerate to 5.2% in 2022, while a further increase to 7% is projected in the adverse scenario. A de-escalation of inflation is expected in 2023, if supply chains are fully restored, and energy prices decline (FIEC, 2022).</p> <p>October 2022 Greece's GDP was 5.2% in September 2022 (8.3% in 2021), while inflation was 9.2% (IMF).</p> <p>November 2022</p> | <p>Construction output in Greece rose 5.7% year-over-year in Q4 2021, accelerating from 4.4% growth. Building activity climbed 22.7% (up from 26.9% in Q3) and civil engineering works declined less (-3.9% vs. -8.2%).</p> <p>Despite robust growth in the first quarter of 2021, the publisher expects the nation's construction industry to decelerate to 3.5% growth in 2021 and average a 2.6% growth rate between 2022 and 2025. Sector output will be supported by improved investor confidence and investment in transportation, renewable energy, residential, and commercial infrastructure projects. The government is focusing on the development of renewable energy projects, in line with its goal of increasing the share of renewables in the total energy mix by 35% over the next 10 years. The plan calls for 7.7 GW of solar PV and 7 GW of wind power by 2030 (FIEC, 2022).</p> <p>December 2022 <i>The Total Building Activity (private-public) in Greece, in August 2022, based on the number of issued building</i></p> | |

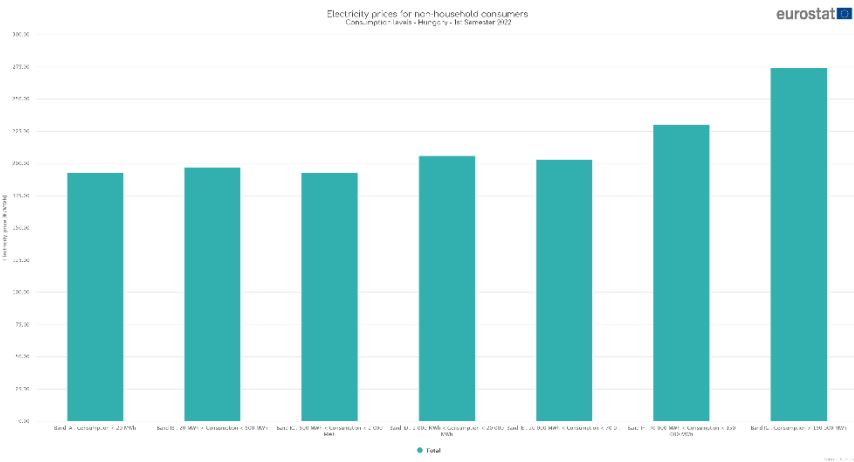
| | <p>Greece's annual GDP was 7.7% in October 2022, while inflation was 9.1% (Statistics Greece).</p> <p>December 2022 Greece's inflation reached 8,5% in November 2022 (compared to November 2021). While GDP in the third quarter was of 2,8% (Statistics Greece).</p> | <p>permits, amounted to 1,685, a 12.6% increase in the number of building permits, compared with the corresponding month of 2021.</p> <p>The building permits for the Private Building Activity issued in Greece in August 2022 amounted to 1,667, a 11.7% increase in the number of building permits (Statistics Greece).</p> | | | | | | |
|--|---|---|-------|--------------|------------|-----|------------|-----|
| <p>Raw materials & Energies</p> | <p style="text-align: center;">Procurement</p> <p>September 2022 At the outbreak of the war in Ukraine, Greece gets 30% of its energy from Russia.</p> <ul style="list-style-type: none"> • Natural gas: 21% ; • Oil: 55% ; <p>(COFACE, 2022).</p> <p>October 2022 Following the crisis in Ukraine, European nations are working to reduce their dependence on Russian gas. Greece is better positioned than many other nations, with a milder climate and shorter winters, and with many pre-developed projects based on the nation's decision in 2010 to become an energy hub for the region. The Trans-Adriatic Gas Pipeline was completed in 2020 and the Greece-Bulgaria interconnection is expected to be operational this year. Many projects will likely come online years before other nations. The Alexandroupoli FSRU is expected to be completed by 2023, with many other FSRU projects to follow. The country's focus is on medium-term LNG and long-term renewable energy (LRE).</p> | <p style="text-align: center;">Price / Cost</p> <p>September 2022 The cost of electricity increased by 79% between April 2021 and April 2022.</p> <p>October 2022 Cost of electricity for consumers, according to their consumption (excluding households)(Eurostat).</p> <div data-bbox="1451 762 1863 976" data-label="Figure"> <table border="1"> <caption>Cost of electricity for consumers (excluding households) in Greece</caption> <thead> <tr> <th>Month</th> <th>Cost (Index)</th> </tr> </thead> <tbody> <tr> <td>April 2021</td> <td>100</td> </tr> <tr> <td>April 2022</td> <td>179</td> </tr> </tbody> </table> </div> <p>November 2022 The index of the overall cost of materials in the construction of new residential buildings with the base year 2015=100.0, recorded an increase of 11.8% in October 2022 compared to October 2021 (increase of 0.5% between September and October 2022)(Statistics Greece).</p> | Month | Cost (Index) | April 2021 | 100 | April 2022 | 179 |
| Month | Cost (Index) | | | | | | | |
| April 2021 | 100 | | | | | | | |
| April 2022 | 179 | | | | | | | |

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| | <p>November 2022</p> <p>Development of gas infrastructure: A gas pipeline linking the Greek and Bulgarian gas pipeline networks was inaugurated in October 2022. The capacity of the pipeline is expected to be 3 to 5 billion cubic meters per year with reverse flow capacity. The connection points will be Komotini in Greece and Stara Zagora in Bulgaria. The length of the pipeline will be approximately 180 km (150 km in Bulgaria, 30 km in Greece). The interconnection will allow Bulgaria to be connected to the Trans-Atlantic Pipeline (TAP), which transports Azeri gas to Europe. The cost of the project has been estimated at 220 million euros (Bruegel).</p> <p>The government has reportedly announced plans to increase lignite production by 50 percent, despite a commitment in its 2019 national energy and climate plan to phase out coal-fired power generation by 2028 and to close currently operating lignite plants, which were to be completed by 2023. Gas grid operator DESFA announced that it would keep seven coal-fired plants operating longer than planned, citing the current energy crisis (Bruegel).</p> | |
| <p>Measures adopted by the utilities</p> | <p>September 2022</p> <p>The government has decided to launch a EUR 5.4 billion (2.7% of GDP) resilience plan to cope with the rising prices and the impact of the war in Ukraine. Among the measures put in place:</p> <ul style="list-style-type: none"> • Property Tax Reduction; • Reduction of taxes and social contributions; • Electricity and gas subsidies for households and businesses; • Aid to the poorest households (OECD, June 2022). <p>October 2022</p> | |

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| | <p>On September 21, Greek Energy Minister Kostas Skrekas said the government would provide an additional 1.1 billion euros to households and businesses to protect them from rising energy prices before the winter. The subsidies have three components:</p> <ul style="list-style-type: none"> • For households whose monthly consumption does not exceed 500 kilowatt hours, the value is 436 euros per megawatt hour. These households constitute most Greek households. • For households consuming more than 501 kilowatt hours per month, the subsidies will offset about 70 to 80 percent of the price increase. • For companies with a consumption of more than 2000 kilowatt hours, 398 euros per megawatt hour are promised. <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 (Bruegel).</p> <p>November 2022</p> <ul style="list-style-type: none"> • The government has launched the "Saving at Home" program to raise awareness of energy-saving behavior changes in the 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 to monitor 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 (Bruegel) • The government has strengthened the "Recycle - Switch" program to support the replacement of household appliances (e.g., air conditioners, refrigerators, freezers) with energy-efficient versions by reimbursing part of the purchase price. It also intends to launch a program (€640 million) for the energy improvement of 2.5 million square meters of buildings used by the public sector (Bruegel). • The government wants to finance 250,000 small photovoltaic systems on the roofs of households and businesses, which will consume their energy for free (Bruegel). |
| <p>Positioning of the Federation</p> | <p>December 2022</p> <p>The Greek association of public works engineers' contractors published a position paper early December, asking the Minister of the Interior for an immediate increase in project funding to pay for the contracts revision bills (AECPW).</p> |

Hungary

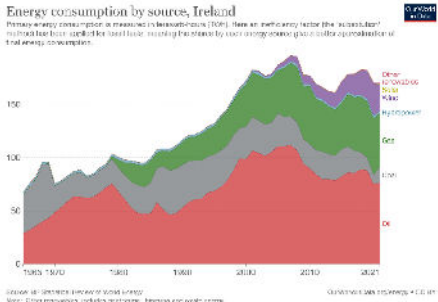
| Business conditions | General | Construction |
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| | <p>September 2022 In 2021, the volume of GDP increased by 7.1% compared to the previous year and 2.1% compared to 2019 according to gross data. The value of the latter was EUR 154 124.4 million at current prices. From the point of view of production, value added increased by 9.8% in industry, 15,8% in construction, 6.2% in services and 2.2% in agriculture (FIEC, 2022). In November 2021, inflation reached 7,4%, partly due to rising commodity costs, and 8,2% in April 2022.</p> <p>November 2022 Annual inflation in Hungary reached 21.1% in October 2022, while annual GDP growth was 4.2% (Statistics Hungary).</p> <p>December 2022 Annual inflation in Hungary reached 22,5% in November 2022, while annual GDP growth was 4% (Statistics Hungary).</p> | <p>October 2022 Average change in prices of construction activities, compared to the same period of the previous year (an average increase of 25% on construction in general)(Hungarian Statistical Office).</p>  <p>November 2022 Changes in the production volume of construction companies compared to the same period of the previous year. There was a 1.6% increase in construction output compared to September 2021, while new orders in construction decreased by 20.9% since October 2021 (Statistics Hungary).</p>  <p>December 2022 The production volume of construction companies compared to the same period of the previous year decreased by 2,5%.</p> |

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| | | <p>Out of the main groups of construction the output of buildings construction decreased by 3.0%, that of civil engineering by 0.9%. Finally, construction output was below the September level by 1.8% (Statistics Hungary).</p> |
| <p>Raw materials & Energies</p> | <p>Procurement</p> | <p>Price / Cost</p> |
| | <p>September 2022 95% of Hungary's gas and 45% of its oil comes from Russia, making it highly dependent on the latter (OECD, June 2022).</p> <p>November 2022 On July 13, 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 meters per year to 2 billion cubic meters per year starting this winter (Bruegel).</p> | <p>September 2022 The cost of energy is capped in Hungary, and therefore 20% cheaper on average than its European neighbors.</p> <p>October 2022 Cost of electricity for consumers, according to their consumption (excluding households)(Eurostat).</p>  <p>December 2022</p> |

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| | | <p style="text-align: center;">Changes in construction producer prices (compared to the same period of the previous year)</p> <p style="text-align: center;">Changes in producer construction prices in the third quarter of 2022: +26,5% (Statistics Hungary).</p> |
| <p>Measures adopted by the utilities</p> | <p>September 2022</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"> • Reduction of social and salary contributions for companies; • Massive increase in coal production; • Reopening of the Matra thermal power plant (closed since 2021); • Citizens who consume more than the average will have to pay for the surplus consumed (Le Figaro, July 2022). <p>Until July 2022, Hungary did not participate in the sanctions package imposed on Russia.</p> <p>October 2022</p> <ul style="list-style-type: none"> • On July 13, 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 seek additional sources of gas. Budapest will ban exports of energy resources such as firewood and increase domestic lignite production. In addition, a lignite-fired power plant will be reopened in Matra and work on the Paks nuclear power plant near Budapest will be extended. • From August 2022, Hungary has removed caps on gas and electricity prices for high-consumption households (those who consume more than the national average). | |

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| | <ul style="list-style-type: none"> • On July 30, Hungary changed the eligibility requirements for price-capped fuel and increased the windfall tax levied on the oil and gas company MOL. Price cap fuel, both gasoline and diesel, is now available only to private vehicles, agricultural vehicles and cabs. The main exclusion is for company cars. As for MOL's windfall tax, it will be raised from 25% to 40% on August 1. • 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 agriculture 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 approximately € 459 million. This will bring the total budget of the scheme to approximately €1.58 billion (Bruegel). <p>November 2022</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 per cent this winter for businesses and public buildings, as well as to limit maximum heating temperatures in public buildings, to control the cost of firewood and to announce plans for a program to support small energy-intensive businesses (Bruegel).</p> |
| <p>Positioning of the Federation</p> | <p>September 2022</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 purpose of this paper 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 publish new public procurement procedures, which are appropriate to the situation (EVOSZ, 2022).</p> <p>October 2022</p> <p>The Hungarian Construction Association has issued a questionnaire to its members and any construction company on their assessments and expectations for the sector in the coming months (against a backdrop of high inflation and material shortages). The questionnaire was to be completed by September 23, 2022. An analysis will be produced from it in the coming weeks (EVOSZ).</p> |

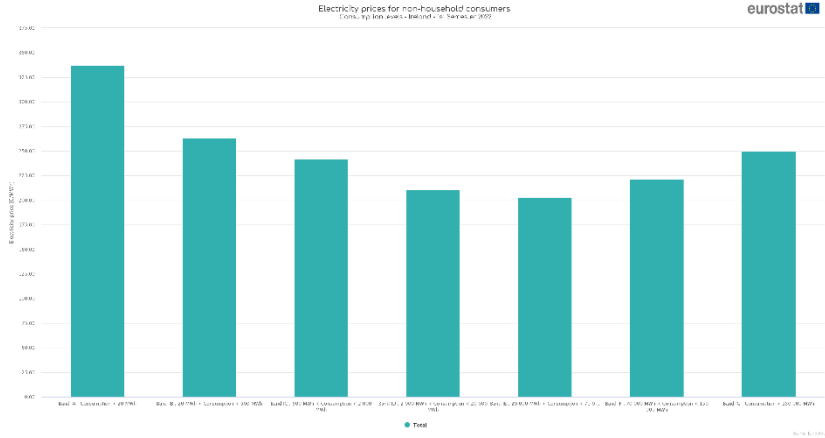
| | Ireland | |
|---------------------|---|--|
| Economic conditions | General | Construction |
| | <p>September 2022 With the post-COVID-19 recovery, Ireland is expected to have a GDP of 4,8% in 2022 and 3,7% in 2023. However, inflation peaked at 8.2 percent in May 2022, mainly due to material shortages, rising energy and food costs (OECD, June 2022).</p> <p>October 2022 In the second half of 2022, GDP growth was 1.8% (National Office of Statistics).</p> <p>November 2022 Annual inflation reached 9.2% between October 2021 and October 2022. The divisions with the highest increases in October were housing, water, electricity, gas and other fuels (+27.8%)(Statistics of Ireland).</p> <p>December 2022 Inflation slowed to reach 8,9% in November 2022, while GDP was of 2,3% in the third quarter of 2022 (Statistics Ireland).</p> | <p>September 2022 Construction output in Ireland increased 3.2% year-over-year in the second quarter of 2022, a slowdown from the 29.9% increase in the previous period. Nevertheless, this marks the first period of two consecutive quarters of positive growth since the first quarter of 2020. Continued expansion in residential (15.2% vs. 68.1% in the first quarter) and nonresidential construction (1.4% vs. 19%) offset declines in civil engineering (-7.6% vs. 14.8%)(Trading Economics, 2022).</p> <p>October 2022 Construction grew by 2.7% in the second half of 2022 (National Office of Statistics).</p> <p>November 2022 Construction output volume decreased 4.5% in the second quarter of 2022 compared to the first quarter of 2022. The largest reduction occurred in the nonresidential building sector, with a 6.7% decrease in the volume index between Q1 2022 and Q2 2022. The residential building sector reduced its production volume by 2.9% between the first and second quarters of 2022. The Civil Engineering sector decreased by 0.9% in seasonally adjusted volume index between Quarter 1 2022 and Quarter 2 2022 (Statistics of Ireland).</p> <p>December 2022 The volume of production in construction fell by 2.7% in Quarter 3 2022 compared with Quarter 2 2022.</p> |

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| | | <p>On an annual basis, there was a 4.5% decrease in volume recorded. The Civil Engineering sector rose by 10.3% in the seasonally adjusted volume index between Quarter 2 2022 and Quarter 3 2022 (Statistics Ireland).</p> |
| <p>Raw materials</p> | <p>Procurement</p> | <p>Price / Cost</p> |
| | <p>October 2022</p>  <p>For information, Irish energy mix before the war in Ukraine: 29.22% gas, 43.87% oil and 8.35% coal (World Data).</p> <p>November 2022</p> <p><u>Gas infrastructure development</u>: The Shannon LNG Terminal is a proposed LNG terminal in the 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 meters per year, the second to be completed in 2025 and add 2.1 billion cubic meters per year and the third to be completed in 2029 with an additional 3.3 billion cubic meters per year (Bruegel).</p> | <p>Rolled steel has risen to €1,500, an increase of €600 since mid-February (66% increase). Reinforcing bar prices have risen by 50% from €900 to €1,350 per ton in the last four weeks. Cable and copper increased by 31% to €8,642 per ton. Some types of steel are no longer available. 100% increase in delivery times for air conditioners, electronic controls and lighting equipment (ICF, 2022).</p> |
| <p>Cost of energy</p> | <p>September 2022</p> | |

At the beginning of 2022, the surge in the price of many commodities (oil, gas, metals, cereals) due to the war in Ukraine led to a surge in inflation, which reached 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, as inflationary pressures spread to all goods and services ([COFACE, 2022](#)).

October 2022

Cost of electricity for consumers, according to their consumption (excluding households)([Eurostat](#)).



Measures adopted by the utilities

October 2022

On September 27, the Irish government presented its budget for 2023, which contained some measures to **address the worsening 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 intended for small businesses, but medium and large companies will also benefit. The measure will apply until February 2023. In addition, 200 million euros have been committed to the Ukraine Enterprise Crisis Scheme, which aims to further assist businesses affected by the energy crisis and war in Ukraine. It is aimed at the internationally traded manufacturing and service sectors. In one part of the program, **€2 million will be provided in the form of grants to energy-intensive companies severely affected by rising energy prices** ([Bruegel](#)).

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| | <p>November 2022</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 approximately 414 MW of onshore wind and 1,534 MW of solar (an increase of approximately 20% of Irish renewable energy generation). In August 2022, the government increased the offshore wind target capacity to 7 GW 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 is expected to revise its climate action plan by the end of 2022 to define the measures needed to achieve these targets (Bruegel).</p> |
| <p>Positioning of the Federation</p> | <p>September 2022</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 on tenders and may even become insolvent.</p> <p>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. The request is under review (ICF, 2022).</p> <p>October 2022</p> <p>The ICF conducted a survey of companies in the sector (202) to analyze the impact that the current economic situation is having on construction.</p> <ul style="list-style-type: none"> • 96% reported an increase in material costs in the last 3 months. • 85% believe that material costs will continue to rise in the next 3 months. • 79% of respondents reported an increase in project prices over the past 3 months (CIF). |

| | Italy | |
|---------------------|--|---|
| Economic conditions | General | Construction |
| | <p>September 2022</p> <p>Italy's GDP recovery exceeded expectations in 2021, after a sharp decline in 2020 due to the effects of the COVID-19 pandemic. The Italian National Institute of Statistics (ISTAT) reports an increase in GDP in 2021 of 6.6 percent compared to 2020. The National Association of Italian Constructors</p> | <p>September 2022</p> <p>In the construction sector, the growth of 2021 (+16.4%) allows for a full return to pre-crisis levels, after the -6.2% decline recorded in 2020. Nevertheless, the gap between production levels remains significant when compared to the</p> |

Russian-Ukrainian conflict, impact on the construction sector - A. Canton, Rev. F. Dastugue 11/01/2023

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| | <p>(ANCE) estimates that the construction sector has accounted for more than a third of GDP growth.</p> <p>The European Commission forecasts that Italy's GDP growth in 2022 will be +4.1%. In this respect, the recent international geopolitical crisis has profoundly altered the general framework, as well as the outlook for the Italian economy, triggering a further acceleration in energy and food prices (FIEC, 2022).</p> <p>October 2022 In the second half of 2022, GDP increased by 1.1% compared to the first half of 2022. Inflation was around 8.9% in September 2022 (Italian National Statistical Institute).</p> <p>November 2022 In October 2022, annual inflation was 11.8%, while in the third quarter of 2022, GDP increased by 0.5% compared to the previous quarter and by 2.6% compared to the third quarter of 2021 (Statistics Italy).</p> <p>December 2022 In November 2022, the rate of change of the Italian consumer price index for the whole nation was +0.5% on monthly basis and +11.8% on annual basis (the same as in October). The monthly increase was mainly due to the prices of Regulated energy products (+4.2%) and Non-regulated energy products (+2.2%), of Processed food (+1.5%) and of Non-durable goods (+0.6%); the prices of Services related to recreation, including repair and personal care (-0.4%) and of Services related to transport (-0.2%), decreased mainly for seasonal factors (Statistics Italy).</p> | <p>levels recorded before the crisis in the sector: -28.8% of investments compared to 2007.</p> <p>The notable positive trend comes mainly from housing rehabilitation, which increased by more than +20%, exceeding the forecasts made at the beginning of the year, mainly due to the exceptional effects of the tax relief measures.</p> <p>Civil engineering is also estimated to have increased significantly (+15.0%), thus confirming the positive results produced by the measures introduced in recent years in favor of public investment (FIEC, 2022).</p> <p>October 2022 In August 2022, construction output estimates began to grow again, increasing 2.7 percent month-over-month after four consecutive declines. Between May and August 2022, construction fell by 3.6% compared to the previous three-month period (Italian National Statistical Institute).</p> <p>November 2022 In October 2022, producer prices for residential and non-residential building construction increased by 0.1% on a monthly basis and by 8.5% on an annual basis. Producer prices for road and railroad construction increased 0.1% from the previous month and 8.7% on an annual basis (Statistics Italy).</p> <p>Construction investment has marked two years of record growth, 20% in 2021 and 12% in 2022, but in 2023 Ance expects the negative sign to return with a 5.7% decline in</p> |
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| | | |
|-----------------------------|---|---|
| | | <p>investment. In particular, the redevelopment of buildings, with the expiration of incentives for single-family homes, will suffer a sharp slowdown (-24%) while an incisive increase in public works (+25%) is expected with the start of the NRP (ANCE) works.</p> <p>December 2022 According to preliminary estimates, in the third quarter of 2022, the House Price Index decreased by 1.0% compared with the previous quarter and increased by 3.0% compared with the same quarter of the previous year (it was +5.2% in the second quarter)(Statistics Italy).</p> |
| <p>Raw materials</p> | <p>Procurement</p> | <p>Price / Cost</p> |
| | <p>September 2022 Russia is a key trading partner for Italy in the supply of raw materials, accounting for more than 40% of Italy's natural gas imports and more than 10% of Italy's refined oil product imports (FIEC, 2022).</p> <p>November 2022 In February 2022, Prime Minister Mario Draghi announced that the conversion of some of the six coal-fired power plants currently operating in the country could be delayed and that one plant being dismantled could be restarted if the crisis worsens again (Bruegel).</p> <p>December 2022 The European Commission has given the green light to a project to build a new undersea power line that will carry clean energy from Tunisia to Italy. This is a "decisive" step to make southern Italy an "energy corridor" in Europe, which</p> | <p>October 2022 The cost of raw materials increased by 35% in Italy (ANCE).</p> <p>November 2022 In the last three months, compared to the previous three months, producer prices in construction increased by 0.3% for residential and non-residential buildings and remained unchanged for roads and railroads (Statistics Italy).</p> |

| | <p>"will strengthen the energy security of the continent," according to the Italian Ministry of Environment and Energy Security.</p> <p>The Mediterranean energy corridor, promoted by the Italian government, would guarantee Europe a flow of clean energy, mainly from solar, of 600 MW in direct current (Euractiv).</p> | | | | | | | | | | | | | |
|---|--|---|-------|-------------------------|-----------------------------|------|--------|------|-----|--------|------|-----|---------|------|
| <p>Cost of energy</p> | <p>September 2022</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 energy bills for industry that should reach EUR 37 billion in 2022, compared with EUR 8 billion in 2021, according to Confindustria, the Italian employers' association (RFI, February 2022).</p> <p>October 2022</p> <p>Cost of electricity for consumers, according to their consumption (excluding households)(Eurostat).</p> | <p>Electricity prices for non-household consumers Consumption levels: Italy, 1st September 2022</p> <p>eurostat</p> <table border="1"> <thead> <tr> <th>Month</th> <th>Consumption level (MWh)</th> <th>Electricity price (EUR/MWh)</th> </tr> </thead> <tbody> <tr> <td>July</td> <td>20,000</td> <td>~380</td> </tr> <tr> <td>Aug</td> <td>25,000</td> <td>~340</td> </tr> <tr> <td>Sep</td> <td>100,000</td> <td>~210</td> </tr> </tbody> </table> | Month | Consumption level (MWh) | Electricity price (EUR/MWh) | July | 20,000 | ~380 | Aug | 25,000 | ~340 | Sep | 100,000 | ~210 |
| Month | Consumption level (MWh) | Electricity price (EUR/MWh) | | | | | | | | | | | | |
| July | 20,000 | ~380 | | | | | | | | | | | | |
| Aug | 25,000 | ~340 | | | | | | | | | | | | |
| Sep | 100,000 | ~210 | | | | | | | | | | | | |
| <p>Measures adopted by the utilities</p> | <p>September 2022</p> <p>In response to inflation, the Italian government has put in place a EUR 14 billion plan to preserve household purchasing power and business production capacity.</p> | | | | | | | | | | | | | |

- Fuel Tax Reduction;
- 200 EUR of assistance to the most needy households;
- Tax credits for energy-intensive businesses;
- 25% tax on excess profits made by energy companies ([France 24, May 2022](#)).

October 2022

At the end of July, the government drafted a bill entitled "Aiuti bis" worth 13 billion. More than 6 billion will be used to cover the extension of previously adopted measures:

- 1.05 billion to extend the reduction of VAT on gas (from 22% to 5%) and fuel levies (30 cents per liter), 5 billion to cancel taxes on energy bills;
- Until October 31, 2022, the effectiveness of any contractual clause allowing the electricity and natural gas supplier company to unilaterally modify the general contractual conditions relating to the definition of the price is suspended.
- The tax-free limit on company bonuses has been doubled to 516 euros if used for household bills.
- 350 million euros have been allocated to city councils and 50 million to metropolitan areas to help them with their energy expenses.
- The transportation sector also benefited from the law, with an additional \$101 million on top of the \$79 million already allocated by 2022.
- 3.3 billion was then used to extend tax credits to businesses, including those in the agricultural sector.

On September 13, the Aiuti-bis bill was approved by the Senate for an overall budget allocation of 17 billion euros (2 billion more than expected).

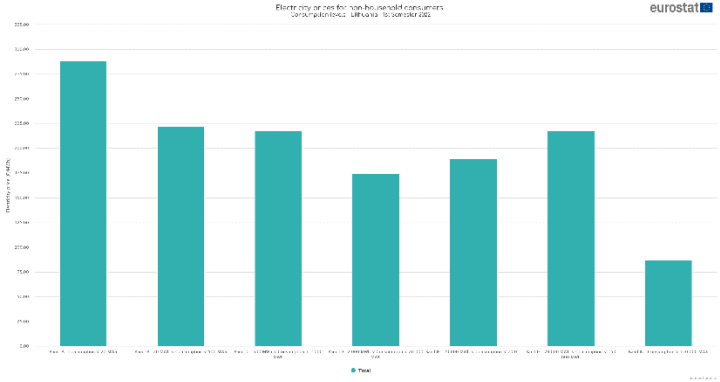
The first decree of this law concerns businesses in particular: the government has decided on a reinforced tax credit, both in the percentage reduction and in the number of eligible businesses to include SMEs, bars and restaurants (for the next three months). Companies with electric meters with an available 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 ([Bruegel](#)).

November 2022

The government's national energy saving program 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 educate citizens about important behavioral changes (e.g., reducing the temperature and duration of showers by 2 to 3 minutes, turning down the heat after boiling and reducing the length of time the oven is turned on, using

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| | <p>electric heat pumps used for air conditioning in the summer for heating in the winter, etc.). On October 6, 2022, the Ministry of Ecological Transition published an additional order focusing on measures to reduce heating consumption. In particular, it confirms both the reduction of 1 degree and 15 days of consumption in winter, but it introduces some exceptions (e.g. hospitals, day care centers, swimming pools, etc.)(Bruegel).</p> |
| <p>Positioning of the Federation</p> | <p>September 2022 ANCE, the Italian construction association, warns of soaring prices. The situation is now "out of control [...] because materials are scarce and many production plants are closing. Measures are needed immediately to calm prices and compensate for the higher costs incurred by companies, otherwise the PNRR construction sites will all come to a halt" (Gabriele Buia, president of ANCE). Workers in the public works sector denounce an unsustainable situation that jeopardizes jobs and economic rights, due to the general increase in the cost of materials. ANCE has launched a survey of its members which shows that nearly 75% of the projects that are going to be put on the market have old prices, and therefore obsolete.</p> |

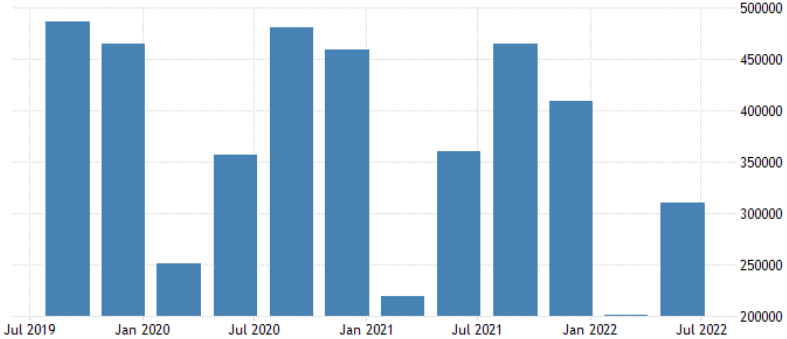
| Lithuania | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---------------------|--|--|-------|------------|---------|-----|---------|-----|---------|-----|---------|-----|---------|-----|---------|-----|---------|-----|---------|-----|---------|-----|---------|-----|---------|-----|---------|-----|---------|-----|
| Economic conditions | General | Construction | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <p>September 2022 Growth is expected to slow to 1.8% in 2022 and 1.6% in 2023 as the war in Ukraine weighs on confidence, weakens external markets, and intensifies supply bottlenecks. Domestic activity will continue to be supported by solid wage growth, pent-up demand, and EU inflows, but high energy prices and increased uncertainty will weigh on private spending. Labor market conditions will remain tight, despite the slowdown in activity, due to significant skill shortages. Inflation peaks in May 2022 at 18.5% (OECD, June 2022).</p> | <p>September 2022 <small>Fig.1. Changes in construction input prices over the month Compared to the previous month Diagrams are formed automatically from the Database of Indicators; therefore, after updating the period and (or) date, information in the diagram will be also updated. The non-updated information (as of a news release publication day) is available in PDF format.</small></p> <table border="1"> <caption>Changes in construction input prices over the month (Percent)</caption> <thead> <tr> <th>Month</th> <th>Change (%)</th> </tr> </thead> <tbody> <tr><td>2021M07</td><td>1.0</td></tr> <tr><td>2021M08</td><td>0.5</td></tr> <tr><td>2021M09</td><td>0.5</td></tr> <tr><td>2021M10</td><td>1.0</td></tr> <tr><td>2021M11</td><td>1.0</td></tr> <tr><td>2021M12</td><td>0.5</td></tr> <tr><td>2022M01</td><td>1.5</td></tr> <tr><td>2022M02</td><td>4.5</td></tr> <tr><td>2022M03</td><td>5.5</td></tr> <tr><td>2022M04</td><td>4.5</td></tr> <tr><td>2022M05</td><td>1.0</td></tr> <tr><td>2022M06</td><td>1.2</td></tr> <tr><td>2022M07</td><td>0.8</td></tr> </tbody> </table> | Month | Change (%) | 2021M07 | 1.0 | 2021M08 | 0.5 | 2021M09 | 0.5 | 2021M10 | 1.0 | 2021M11 | 1.0 | 2021M12 | 0.5 | 2022M01 | 1.5 | 2022M02 | 4.5 | 2022M03 | 5.5 | 2022M04 | 4.5 | 2022M05 | 1.0 | 2022M06 | 1.2 | 2022M07 | 0.8 |
| Month | Change (%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021M07 | 1.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021M08 | 0.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021M09 | 0.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021M10 | 1.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021M11 | 1.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021M12 | 0.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022M01 | 1.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022M02 | 4.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022M03 | 5.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022M04 | 4.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022M05 | 1.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022M06 | 1.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022M07 | 0.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | <p>October 2022 Monthly inflation was 2.9% in September 2022 (1% in August 2022). Annual inflation in September 2022 was 24.1%. Annual GDP growth was 1.8% (Statistical Office of Lithuania)(IMF).</p> <p>December 2022 Monthly inflation was of 0.4% in November 2022. While annual inflation was of 22.9% (Statistics Lithuania).</p> | <p>October 2022 Construction prices increased 19.6% between September 2021 and September 2022. Construction activity, on the other hand, increased by 3.6% between September 2021 and September 2022: in August 2022, construction work was carried out in the country for an amount of 441.6 million euros (LCA).</p> <p>December 2022 January-September 2022 construction work in the country was carried out for 3.2 billion euros, compared to January-September 2021, the number of construction work carried out increased by 2.5%. In September 2022, construction work was carried out in the country for 457.6 million euros, which is 1.3% lower than in August (LCA).</p> | | | | | | | | | | | | | | | | | | | | |
|--|---|---|-------|------------------|----------|-------|----------|-------|----------|-------|----------|-------|----------|-------|----------|-------|----------|-------|----------|-------|----------|-------|
| <p>Raw materials & Energies</p> | <p style="text-align: center;">Procurement</p> <p>Lithuania has completely stopped its gas and oil imports from Russia since April 2022. Now it uses mainly liquefied gas (OECD, June 2022).</p> <p>November 2022 Annual inflation slowed slightly to 23.6% in October 2022 (Statistics Lithuania).</p> <p>GDP per capita, in current prices, in euros:</p> | <p style="text-align: center;">Price / Cost</p> <p>October 2022 Cost of electricity in the first half of 2022 based on consumption (excluding households)(Eurostat).</p>  <table border="1"> <caption>Electricity prices for non-household consumers - Lithuania (euro/kWh)</caption> <thead> <tr> <th>Month</th> <th>Price (euro/kWh)</th> </tr> </thead> <tbody> <tr><td>FEB 2022</td><td>28000</td></tr> <tr><td>MAR 2022</td><td>24000</td></tr> <tr><td>APR 2022</td><td>23500</td></tr> <tr><td>MAY 2022</td><td>20000</td></tr> <tr><td>JUN 2022</td><td>21000</td></tr> <tr><td>JUL 2022</td><td>23000</td></tr> <tr><td>AUG 2022</td><td>24000</td></tr> <tr><td>SEP 2022</td><td>16000</td></tr> <tr><td>OCT 2022</td><td>16000</td></tr> </tbody> </table> | Month | Price (euro/kWh) | FEB 2022 | 28000 | MAR 2022 | 24000 | APR 2022 | 23500 | MAY 2022 | 20000 | JUN 2022 | 21000 | JUL 2022 | 23000 | AUG 2022 | 24000 | SEP 2022 | 16000 | OCT 2022 | 16000 |
| Month | Price (euro/kWh) | | | | | | | | | | | | | | | | | | | | | |
| FEB 2022 | 28000 | | | | | | | | | | | | | | | | | | | | | |
| MAR 2022 | 24000 | | | | | | | | | | | | | | | | | | | | | |
| APR 2022 | 23500 | | | | | | | | | | | | | | | | | | | | | |
| MAY 2022 | 20000 | | | | | | | | | | | | | | | | | | | | | |
| JUN 2022 | 21000 | | | | | | | | | | | | | | | | | | | | | |
| JUL 2022 | 23000 | | | | | | | | | | | | | | | | | | | | | |
| AUG 2022 | 24000 | | | | | | | | | | | | | | | | | | | | | |
| SEP 2022 | 16000 | | | | | | | | | | | | | | | | | | | | | |
| OCT 2022 | 16000 | | | | | | | | | | | | | | | | | | | | | |

| | | |
|---|---|---|
| | | <p>December 2022 Producer prices increased by 23.4% since November 2021 (Statistics Lithuania).</p> |
| <p>Measures adopted by the utilities</p> | <p>October 2022 On April 1, 2022, the government launched a 2.26-billion-euro package to counter the effects of inflation and strengthen energy independence.</p> <p>To absorb the energy price shocks, the government is compensating for part of the gas and electricity prices paid by individuals (570 million euros 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 euros, but also targeted funds for the affected sectors to the tune of 142 million euros.</p> <p>The plan also includes investments in energy independence (1.12 billion euros). 275 million euros will be allocated to a new renovation investment platform, while subsidies for the ecological renovation and modernization of multi-apartment buildings amount to another 277 million euros. In addition, 46 million euros are earmarked for private charging infrastructure for electric vehicles in multi-apartment building yards, households and private companies. 60 million euros are planned to promote the purchase and installation of solar power plants, and an additional 19 million euros - for the replacement of biomass and fossil fuel boilers with technologically advanced installations. Additional investments in corporate energy independence (254 million euros) and in public projects (193 million euros) are also planned.</p> <p>In October, in response to the continuing crisis, the Lithuanian government released its draft budget law earlier than usual, including several elements to address the energy crisis. 1.5 billion euros have been 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 euros to help businesses affected by rising energy prices (Bruegel).</p> <p>November 2022</p> | |

| | |
|---|--|
| | <p>The government has launched a package of measures including a new renovation investment platform and subsidies for green renovation and retrofitting of multi-apartment buildings, to subsidize 30% of renovation projects that will achieve at least energy performance class "B" buildings and deploy renewable technologies. Renovation of public buildings is also planned (40 million euros).</p> <p>The government has launched a package of measures that promote the purchase and installation of solar power plants, the deployment of solar, wind and electricity storage batteries in businesses (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 yards, households and private companies, 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 (Bruegel).</p> <p>December 2022</p> <p>The Czech Republic's latest proposal on an EU price cap on natural gas "is not sufficient", Lithuanian Energy Minister Dainius Kreivys has said. "We agreed (...) to continue working intensively toward an agreement on a mechanism that would ensure the stability of the gas market, security of supply, the viability of our industry and low prices for our people," he added. In late November, the European Commission proposed a gas price cap of 275 euros per megawatt hour for month ahead TTF contracts, but only if the price remains above that level for at least two weeks and if the price for liquefied natural gas goes above 58 euros for 10 days within the two-week period.</p> <p>The Czech Republic, which is currently holding the EU's rotating presidency, last week suggested lowering the cap to 220 euros. The cap would be triggered if prices for month ahead contracts on the Dutch TTF, Europe's benchmark gas hub, exceed the level for five days and are 35 euros above the reference price for LNG. According to the Lithuanian Energy Ministry, many member countries did not approve of the Czech proposal, with positions diverging on the proposed price cap, the scope of the mechanism, and the conditions for its activation and deactivation (Baltic News).</p> |
| <p>Positioning of the Federation</p> | <p>October 2022</p> <p>In the face of drastically rising prices and the war in Ukraine, the Lithuanian Construction Association organized an information and awareness webinar in mid-October 2022 "Public Construction Procurement in 2022-2023".</p> <p>The aim was to discuss and exchange ideas on how to improve the situation of public procurement in Lithuania. Construction market players, experts, representatives of contracting authorities and public authorities had the opportunity to make</p> |

presentations, share ideas and discuss the challenges of public construction procurement, examples of good practice and necessary changes (LCA).

| | | Latvia | |
|---------------------|--|--|--|
| Business conditions | General | Construction | |
| | <p>September 2022 After the economic slowdown caused by the outbreak of the covid-19 pandemic, the country's GDP rebounded strongly in 2021 (+4.5%) thanks to significant government support measures and a strong export performance coupled with higher levels of private consumption. Private consumption is expected to be the main driver of growth over the forecast horizon, supported by strong wage growth and the extra savings accumulated in recent years. Overall, real GDP growth this year is forecast at 5.2 percent, while it is expected to slow slightly to 4 percent in 2023 (IMF)(Trade Solutions, 2022).</p> <p>October 2022 Annual inflation in September 2022 was 22.1%, for goods and services (Statistical Office Latvia). Annual GDP growth was 2.5% in September 2022 (IMF).</p> <p>November 2022 Annual inflation reached 21.8% in October 2022 (6% in October 2021)(Official Statistics of Latvia). While the country's GDP decreased by 0.6% in the 3rd quarter of 2022 (BNN).</p> <p>December 2022</p> |  <p>TRADINGECONOMICS.COM CENTRAL STATISTICAL BUREAU OF LATVIA</p> <p>Construction GDP, EUR thousand, 2019-2022, Trading Economics.</p> | |
| | | <p>October 2022 In September 2022, compared to August 2022, the level of construction costs increased by 0.5 percent. Maintenance and operation costs for machinery and equipment increased by 0.6 percent, worker compensation by 0.5 percent (BNN).</p> <p>November 2022 Construction output decreased by 15 points between October 2021 and October 2022 (Official statistics of Latvia).</p> <p>December 2022</p> | |

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| | <p>The inflation remained even in November, at 21.8% for goods. While services' inflation went from 10.6% to 11% between October and November (Statistics of Latvia).</p> | <p>Construction output decreased by 3.5 points between Q2 and Q3 of 2022 (Statistics of Latvia).</p> <p>The Central Statistical Bureau showed that, compared to the 3rd quarter of 2021, in the 3rd quarter of 2022 prices of dwellings rose by 13.7 %. Prices of new dwellings increased by 12.5 %, but of existing dwellings – by 14.0 % (Statistics of Latvia).</p> |
| <p>Raw materials & Energies</p> | <p style="text-align: center;">Procurement</p> <p>Latvia has already benefited from a jump in foreign demand, especially for mineral products, iron and steel, machinery and equipment, and chemicals and wood (COFACE, 2022).</p> <p>Depending on the year, Latvia imports 30 to 40% of its electricity from Lithuania, Estonia and Russia (before the war).</p> <p>November 2022 <u>Infrastructure Enhancement</u>: As of November 1, 2022, the Latvia-Lithuania Interconnection (ELLI) will increase capacity from 2.4 bcm/year to 4.6 bcm/year from Lithuania to Latvia and from 2.3 bcm/year to 4.2 bcm/year from Latvia to Lithuania. The total cost of the project is €9.77 million, of which €5.50 million for Conexus and €4.27 million for Amber Grid, the Lithuanian natural gas transmission system operator, and 50% co-financing from the Connecting Europe (Bruegel) mechanism.</p> <p><u>Infrastructure development</u>: The Skulte LNG terminal is a proposed LNG terminal in Latvia with a regasification capacity of 6.2 billion m3/year. The estimated cost is €110 million and the infrastructure is expected to be</p> | <p style="text-align: center;">Price / Cost</p> <p>September 2022 By 2021, the cost of gas in Latvia had tripled: in July 2020, the price of electricity in Latvia was €31.8 per MWh compared to €89.04 in July 2021.</p> <p>November 2022 Compared to September 2021, the level of construction costs in Latvia increased by 20.2% in September 2022. The prices of construction materials increased by 26.6%, the costs of maintenance and operation of machinery and equipment - by 17.6%, but the remuneration of workers - by 9.8%.</p> <p>In the third quarter of 2022, compared to the third quarter of 2021, the overall level of construction costs increased by 20.7 percent (BNN).</p> |

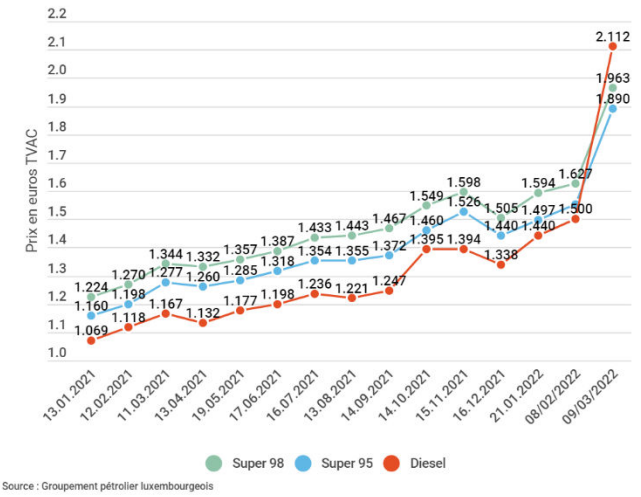
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| | <p>operational in 2023 or 2024 and could supply neighboring countries including Estonia, Lithuania, Finland and Poland. In April 2022, Latvian Prime Minister Krišjānis Kariņš stated that the government had "conceptually agreed" to begin construction of an LNG import terminal in the suburbs of Riga (Bruegel).</p> <p>December 2022 On the 7th of December, work on improving Lithuanian-Latvian gas interconnection was completed in Lithuania's Pasvalys district. It is now possible to transport 90 GWh of gas using the pipeline, which is 30% more than was previously possible. Latvia's and Lithuania's joint investments in this project reach 10.2 million EUR. 4.7 million EUR was provided by Lithuania and 2.1 million EUR was provided by the European Union (BNN).</p> | |
| <p>Measures adopted by the utilities</p> | <p>October 2022 On August 23, the government amended the legislation to provide for compensation for the costs of electricity grid service for businesses from October 10, 2022 to April 30, 2023, measures to partially cover the increase in heat supply and heating costs for households, as well as partial compensation for energy resource prices for energy-intensive businesses. This measure could cost the state approximately 123 million euros.</p> <p>In addition to the planned support for entrepreneurs, amendments to the law on measures to cushion rising energy prices have also come into force. In addition, about 250 energy-intensive companies could receive support. It is expected that the average support will amount to 200,000 euros. Thus, the Ministry of the Economy expects that support for energy-intensive companies would cost the state about 50 million euros (Bruegel).</p> <p>December 2022 On the 13th of December, Latvia's government decided to extend until the 30th of April 2023 the period during which protected electricity users are provided with increased benefits. The government also decided to expand the range of protected user benefit recipients, as reported by Ministry of Economics. This support, considering the high electricity prices and current ratio</p> | |

of benefits, is at EUR 15 for poor or low-income household; EUR 15 for families with disabled children; EUR 15 for 1st group invalids or their guardian; EUR 20 for families with many children ([BNN](#)).

| Luxembourg | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---------------------|--|---|-------|------------|----------|------|----------|-----|----------|------|----------|------|----------|------|----------|------|----------|-----|----------|-----|----------|------|----------|----|----------|------|----------|------|
| Economic conditions | General | Construction | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <p>September 2022 In Luxembourg, growth is expected to slow to around 2.9% in 2022 and 2.1% in 2023. The war in Ukraine will weigh on consumer confidence and consumption, but investment, especially residential construction, will support growth alongside government spending. Employment and wage growth will remain robust. Rising prices for intermediate goods will push up core inflation (OECD, June 2022).</p> <p>October 2022 Annual inflation was 6.9% in September 2022, which represents a monthly increase of 0.3% (between August and September 2022)(Luxembourg Bureau of Statistics).</p> <p>In the second quarter of 2022, real GDP growth was -0.5% compared to the previous quarter and 1.6% compared to the second quarter of 2021 (Statistics Luxembourg).</p> <p>November 2022 In October 2022, the national consumer price index showed a monthly increase of 0.9%. This trend is explained by the pronounced rise in prices of petroleum products, which increased by 8.8% in one month, combined with the</p> | <p>September 2022 Construction output in Luxembourg decreased by 4.40% in June 2022 compared to the same month a year earlier.</p> <table border="1"> <caption>Monthly construction output changes in Luxembourg</caption> <thead> <tr> <th>Month</th> <th>Change (%)</th> </tr> </thead> <tbody> <tr> <td>Jul 2021</td> <td>-4.6</td> </tr> <tr> <td>Aug 2021</td> <td>0.8</td> </tr> <tr> <td>Sep 2021</td> <td>-0.3</td> </tr> <tr> <td>Oct 2021</td> <td>-0.9</td> </tr> <tr> <td>Nov 2021</td> <td>-0.1</td> </tr> <tr> <td>Dec 2021</td> <td>-5.9</td> </tr> <tr> <td>Jan 2022</td> <td>3.0</td> </tr> <tr> <td>Feb 2022</td> <td>3.2</td> </tr> <tr> <td>Mar 2022</td> <td>-1.8</td> </tr> <tr> <td>Apr 2022</td> <td>-4</td> </tr> <tr> <td>May 2022</td> <td>-4.4</td> </tr> <tr> <td>Jun 2022</td> <td>-4.4</td> </tr> </tbody> </table> <p>October 2022 Construction activity continues to slow, with a monthly decline of 3% between June and July 2022. An annual slowdown in activity of 2.4% between July 2021 and July 2022 was notable (Eurostat).</p> <p>Producer prices in the construction sector rose by around 15% year-on-year in the second quarter of 2022 in Luxembourg (Bureau des statistiques Luxembourg).</p> <p>November 2022</p> | Month | Change (%) | Jul 2021 | -4.6 | Aug 2021 | 0.8 | Sep 2021 | -0.3 | Oct 2021 | -0.9 | Nov 2021 | -0.1 | Dec 2021 | -5.9 | Jan 2022 | 3.0 | Feb 2022 | 3.2 | Mar 2022 | -1.8 | Apr 2022 | -4 | May 2022 | -4.4 | Jun 2022 | -4.4 |
| Month | Change (%) | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Jul 2021 | -4.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Aug 2021 | 0.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sep 2021 | -0.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Oct 2021 | -0.9 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Nov 2021 | -0.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dec 2021 | -5.9 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Jan 2022 | 3.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Feb 2022 | 3.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mar 2022 | -1.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Apr 2022 | -4 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| May 2022 | -4.4 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Jun 2022 | -4.4 | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | <p>continued increase in food prices (Luxembourg Bureau of Statistics).</p> <p>December 2022 The annual inflation was of 5.9% in November 2022 while during the third quarter of 2022, the GDP increased by +1.1% compared to the previous quarter and by +3.0% compared to the same quarter in 2021 (Statistics Luxembourg).</p> | <p>The Chamber of Trades surveyed its members, particularly in the construction sector, to produce its business projection. In construction, the risk that clients (households, companies, public sector) will postpone, cancel, or reduce their investment projects, particularly in the face of rising interest rates, is already a reality that can be measured in terms of building permits: the volume of residential construction authorized fell by 34% in the first half of 2022 compared with the same period in 2021.</p> <p>The survey also shows a decline in the order book of 0.6 months in the third quarter of 2022, a sign of weakening demand, says the Chamber of Crafts (The Daily).</p> |
| Raw materials | <p style="text-align: center;">Procurement</p> <p>Luxembourg is not directly impacted 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. Luxembourg used to get 12% of its energy from imports, including 5% from Russian oil. By 2022, Luxembourg has diversified its oil supplies to the Middle East (OECD, June 2022).</p> | <p style="text-align: center;">Price / Cost</p> |
| Cost of energy | September 2022 | |

The price of gas in Luxembourg is expected to increase in the coming autumn/winter by 160% compared to the summer of 2022 (compared to 90% in the last forecast). STATEC still expects gas prices to rise by 80% in October 2022, followed by a 10% increase in November 2022 and a 30% increase in January 2023 (previously 10%). Electricity prices have also been adjusted, with a 45% increase expected in January 2023 (up from 35% previously)([STATEC, September 2022](#)).



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October 2022

Electricity prices for consumers (excluding households) according to their consumption in the first half of 2022 ([Eurostat](#)).

| | |
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| | <p>Electricity prices for non-household consumers Consumption in Luxembourg - 1st Semester 2022</p> <p>Source: Eurostat</p> |
| <p>Measures adopted by the utilities</p> | <p>The government has put in place several envelopes for households and businesses to reduce the impact of rising energy and raw material costs (EUR 830 million and EUR 500 million):</p> <ul style="list-style-type: none"> • Energy bonus for the poorest households; • Reduced network charges for gas and electricity; • Guaranteed loan scheme for businesses (OECD, June 2022). <p>October 2022</p> <p>On September 28, 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 percent, as well as 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 liter and VAT has been reduced across the board. The standard VAT was 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 bonuses of between 200 and 400 euros will be distributed to eligible households.</p> |

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| | <p>To support businesses, compensation for rising energy prices has been offered through a series of incentives. The existing tax credit system has been adapted to encourage investment in 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 their energy directly from renewable energy suppliers (Bruegel).</p> <p>November 2022</p> <p>To try to mitigate the explosion of energy costs, related to the war in Ukraine, various aids have been put in place for businesses. As of November 30, small and medium-sized enterprises will be able to apply for government assistance, 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 guichet.lu website under the heading "financing and aid".</p> <p>The eligible costs are the monthly incremental costs of natural gas and electricity that exceed 80 % of the average unit costs of natural gas and electricity incurred by the company last year from January to December 2021. The amount of aid is calculated on the basis of the eligible costs of the project and may not exceed 70% of the eligible costs. The amount of aid is capped at 500,000 euros per group for the eligible period (The Daily).</p> |
| Positioning of the Federation | |

| | Netherlands | |
|---------------------|---|---|
| Business conditions | General | Construction |
| | <p>September 2022</p> <p>Dutch growth is expected to grow by 2.9% in 2022 and 1.1% in 2023. Inflation will reach 9.2% in 2022, mainly due to rising prices and shortages of raw materials. It is expected to fall to 4.8% in 2023.</p> | <p>September 2022</p> <p>After Dutch construction output contracted by 1.5% in 2020, the Dutch construction sector rebounded in 2021. Output grew by 1.8% in 2021, and this growth will accelerate in 2022 with a volume gain of 5.0%.</p> |

Russian-Ukrainian conflict, impact on the construction sector - A. Canton, Rev. F. Dastugue 11/01/2023

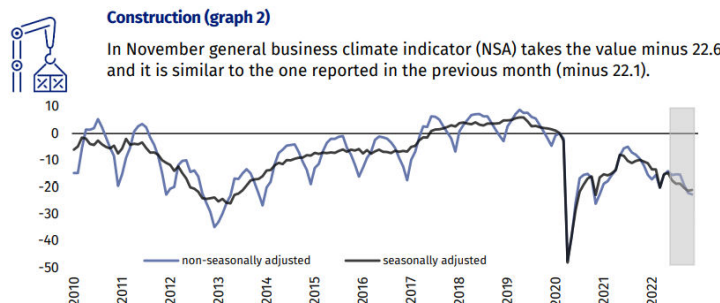
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| | <p>October 2022 Annual GDP growth was 2.6% in September 2022. While annual inflation was 14.5% in September 2022 (National Statistics Office, Holland).</p> <p>November 2022 Annual inflation growth slowed slightly to 14.3%, while GDP growth in the third quarter fell by 0.2% (National Statistical Office, Holland).</p> <p>December 2022 The Dutch inflation slowed down to 9,9% in November 2022. The sharp fall in inflation was mainly due to the price development of energy (electricity, gas, and district heating). In November, energy was 70% more expensive than one year previously. In October, the year-on-year increase amounted to 173% (CBS).</p> | <p>The main drivers of this positive outlook are the investments needed for the energy transition, climate adaptation and housing needed to alleviate stress in the residential market, the need to renovate or replace aging infrastructure (subject to the war in Ukraine and the impact on commodities and energy)(FIEC, 2022).</p> <p>October 2022 In September, owner-occupied housing (excluding new construction) was on average 9.6% more expensive than in the same month a year earlier. The price increase was 11.9% in August. This is the fifth consecutive month that price increases have stabilized (CBS).</p> <p>November 2022 In October, owner-occupied housing (excluding new construction) was on average 7.8% more expensive than in the same month a year earlier. The price increase was 9.4% in September. This is the sixth consecutive month that price increases have stabilized (CBS).</p> |
| <p>Raw materials & Electricity</p> | <p>Procurement</p> | <p>Price / Cost</p> |
| | <p>15% of the gas and 18% of the oil consumed in the Netherlands comes from Russia.</p> <p>November 2022 The authorities have lifted a production cap on coal-fired power plants, which were previously restricted to operating 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 (Bruegel).</p> | <p>October 2022 Electricity prices for consumers (excluding households) according to their consumption in the first half of 2022 (Eurostat).</p> |

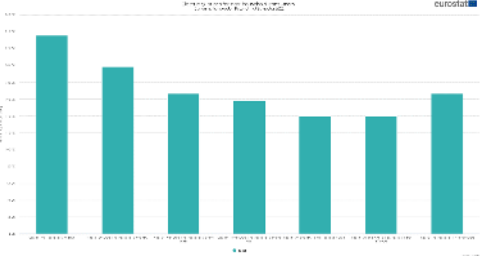
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| <p>Measures adopted by the utilities</p> | <p>September 2022</p> <p>The government has put in place measures to mitigate the impact of rising energy costs:</p> <ul style="list-style-type: none"> • Household support: EUR 800 million in energy subsidies for the poorest households; EUR 300 million in support for home insulation. • The VAT on energy has been reduced from 21% to 9%; • Gasoline and gas taxes are reduced to 22% (OECD, June 2022). <p>October 2022</p> <p>In September 2022, the government announced that it would increase the minimum wage by 10% to meet inflation and the introduction of a one-time 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 (approximately 15.5 billion EUR of budget).</p> <p>Other temporary measures have been announced:</p> <ul style="list-style-type: none"> • The Dutch government has further reduced energy taxes, resulting in a loss of revenue of 5.4 billion EUR. • The previously established reduction in fuel excise duties will be extended, resulting in an additional revenue loss of 1.2 billion EUR. • The direct expenditure for consumers will take the form of a one-time energy allowance for vulnerable households, worth 1,300 EUR. <p>On October 4, 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</p> | |

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| | <p>the price of gas at 1.45 EUR per cubic meter of gas. These price caps only apply to 2900 kilowatt hours of electricity and 1200 cubic meters of gas. This measure will cost some 23.5 billion EUR (Bruegel).</p> <p>November 2022 On September 16, 2022, the government announced wind power targets of about 50 GW by 2040 and about 70 GW by 2050 (the target for 2030 is set at about 21 GW, or about 75% of total current electricity consumption). He also announced his ambitions for large-scale hydrogen production projects in the North Sea (Bruegel).</p> <p>A major insulation program was launched in April 2022, aiming to invest €4 billion to improve the energy efficiency of 2.5 million households by 2030, or nearly one-third of the country's housing stock. Homes with the lowest energy ratings (E, F and G) will be renovated first, with homeowners receiving subsidies equal to 30% of the expenses and additional help for those who cannot afford the work themselves. Homes rated E, F or G will no longer be available for rent after 2030. The goal is to install 1 million hybrid heat pumps in existing buildings by 2030 and to begin phasing out mono central heating boilers. On May 17, 2022, the government announced that hybrid heat pumps will be the standard for home heating from 2026. Until 2030, the cabinet has set aside 150 million euros per year to continue to support homeowners in the purchase of a (hybrid) heat pump. The government has also announced that homes with a poor energy label (E, F, G) will no longer be able to be rented after 2030 (Bruegel).</p> <p>December 2022 The Netherlands has proposed a new idea to prevent gas price spikes in the EU in a paper circulated to European capitals. Netherlands proposed its own cap idea, to limit the cost of gas purchases by so-called "price insensitive" buyers, such as those funded by the authorities or legally required to purchase to fill stocks before winter. According to the paper, demand from these players drove up the price of gas in August 2022, causing prices to spike on the EU's main gas trading platform. 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, would be broader in scope and would be lower than the Commission's current cap proposal. It would also be reviewed monthly to avoid jeopardizing the EU's energy security. In addition, it would avoid hampering financial markets and driving down prices, the paper said (Euractiv).</p> |
| <p>Positioning of the Federation</p> | <p>November 2022 The Dutch Construction Association is closely following the externalities related to 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 war's impact on the construction industry on the following page: Ukrainian Crisis and Rising Prices in the Sector.</p> |

December 2022

This week, representatives of construction customers and construction contractors 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 industry partners. The aim is to limit the impact of price increases caused by the war in Ukraine as much as possible and to be able to continue building with customers in times of uncertainty ([Bouwend Nerlander](#)).

| Poland | | |
|---------------------|--|---|
| Business conditions | General | Construction |
| | <p>September 2022 Poland's economy has not been as hard hit by the Covid-19 pandemic as other European countries. A 2.5% real GDP decline in 2020 was followed by strong growth of 5.7% last year. Another 4% growth is projected for 2022 (FIEC, 2022). Inflation in April 2022 reached 11.2% (OECD, June 2022).</p> <p>November 2022 Consumer prices in October 2022 compared to the corresponding month of the previous year, increased by 17.9% (with an increase in prices of goods - by 19.5% and services - by 13.0%). Compared to the previous month, consumer prices increased by 1.8% (including goods - by 2.1% and services - by 0.7%)(Statistics Poland).</p> <p>December 2022 Consumer prices in November 2022 compared with the corresponding month of the previous year, increased by 17,5% (with an increase of prices of goods – by 18,8% and</p> | <p>October 2022 Between September 2021 and September 2022, construction output fell by 10.4%. While between August 2022 and September 2022 construction output increased by 0.5% (Eurostat).</p> <p>November 2022 Construction business climate in Poland: -22.6 (Statistics Poland).</p> <p>Construction (graph 2) In November general business climate indicator (NSA) takes the value minus 22.6 and it is similar to the one reported in the previous month (minus 22.1).</p>  |

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|---|---|--|
| | <p>services – by 13,2%). As related to the previous month consumer prices increased by 0,7% (of which goods – by 0,7% and services – by 0,6%)(Statistics Poland).</p> | <p>According to the shared data, 188.8 thousand housing units were completed in the period from January to October 2022, which is 1.4% more than the previous year (Statistics Poland).</p> <p>December 2022 According to preliminary data construction and assembly production (in constant prices) carried out domestically by construction enterprises employing more than 9 persons was in November 2022 by 4.0% higher than a year before (an increase of 12.8% the year before) and by 9.1% higher compared with October 2022 (an increase of 9.0% the year before)(Statistics Poland).</p> |
| <p>Raw materials & Electricity</p> | <p style="text-align: center;">Procurement</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 is natural gas. The government is actively preparing the diversification of supply sources (particularly to Africa)(Crédit Agricole, Economic Studies, September 2022).</p> | <p style="text-align: center;">Price / Cost</p> <p>October 2022 Electricity prices for consumers (excluding households) according to their consumption, in the first half of 2022 (Eurostat).</p>  <p>November 2022 According to preliminary data, in October 2022, the prices of construction and production of assemblies compared to the corresponding month of the previous year increased by 15.2%, and compared to September 2022 - by 1.3% (Statistics Poland).</p> |

| | | <p>December 2022</p> <p>According to preliminary data, in November 2022 the prices of construction and assembly production in comparison with the corresponding month of the previous year increased by 14.7%, and in comparison, with October 2022 - by 0.6%.</p> <p>In November 2022 in comparison with October 2022 the growth of prices was recorded in construction of buildings by 0.4%, civil engineering - by 0.5% as well as in specialized construction activities - by 0.9% (Statistics Poland).</p> | | | | | | | | | | | | | | | | | | | | | |
|---|--|--|--|-----------------------------|-----------------------------|--------------------|-------------------------------------|--------------------------|------------|-------------------------------------|---------------------------------------|------------------|-------------------------------------|---------------------------------------|------------------|---------------------------------|--|------------------------------|---|--|-----------------------------|---|---|
| <p>Measures adopted by the utilities</p> | <p>September 2022</p> <p>The government introduced measures in early 2022 to protect households against inflation, which will be extended until December 2022. The government has also decided to invest in national defense (budget of 2.2% of gdp in 2022 and 3% of gdp in 2023)(OECD, June 2022).</p> <table border="1" data-bbox="880 772 1704 1264"> <thead> <tr> <th></th> <th>Premier bouclier (décembre)</th> <th>Deuxième bouclier (janvier)</th> </tr> </thead> <tbody> <tr> <td>Electricité</td> <td>TVA réduite de 23% à 5% (jan.-mars)</td> <td>Extension jusqu'en juil.</td> </tr> <tr> <td>Gaz</td> <td>TVA réduite de 23% à 8% (jan.-mars)</td> <td>TVA réduite de 8% à 0% jusqu'en juil.</td> </tr> <tr> <td>Chauffage</td> <td>TVA réduite de 23% à 8% (jan.-mars)</td> <td>TVA réduite de 8% à 5% jusqu'en juil.</td> </tr> <tr> <td>Carburant</td> <td>Suppression de la taxe d'accise</td> <td>TVA réduite de 23% à 8% jusqu'en juil.</td> </tr> <tr> <td>Produits alimentaires</td> <td>/</td> <td>TVA sur les produits de première nécessité passe de 5% à 0% jusqu'en juil.</td> </tr> <tr> <td>Mesures d'assistance</td> <td>Distribution d'un chèque aux ménages les plus pauvres</td> <td>/</td> </tr> </tbody> </table> | | | Premier bouclier (décembre) | Deuxième bouclier (janvier) | Electricité | TVA réduite de 23% à 5% (jan.-mars) | Extension jusqu'en juil. | Gaz | TVA réduite de 23% à 8% (jan.-mars) | TVA réduite de 8% à 0% jusqu'en juil. | Chauffage | TVA réduite de 23% à 8% (jan.-mars) | TVA réduite de 8% à 5% jusqu'en juil. | Carburant | Suppression de la taxe d'accise | TVA réduite de 23% à 8% jusqu'en juil. | Produits alimentaires | / | TVA sur les produits de première nécessité passe de 5% à 0% jusqu'en juil. | Mesures d'assistance | Distribution d'un chèque aux ménages les plus pauvres | / |
| | Premier bouclier (décembre) | Deuxième bouclier (janvier) | | | | | | | | | | | | | | | | | | | | | |
| Electricité | TVA réduite de 23% à 5% (jan.-mars) | Extension jusqu'en juil. | | | | | | | | | | | | | | | | | | | | | |
| Gaz | TVA réduite de 23% à 8% (jan.-mars) | TVA réduite de 8% à 0% jusqu'en juil. | | | | | | | | | | | | | | | | | | | | | |
| Chauffage | TVA réduite de 23% à 8% (jan.-mars) | TVA réduite de 8% à 5% jusqu'en juil. | | | | | | | | | | | | | | | | | | | | | |
| Carburant | Suppression de la taxe d'accise | TVA réduite de 23% à 8% jusqu'en juil. | | | | | | | | | | | | | | | | | | | | | |
| Produits alimentaires | / | TVA sur les produits de première nécessité passe de 5% à 0% jusqu'en juil. | | | | | | | | | | | | | | | | | | | | | |
| Mesures d'assistance | Distribution d'un chèque aux ménages les plus pauvres | / | | | | | | | | | | | | | | | | | | | | | |

October 2022

On October 11, Prime Minister Mateusz Morawiecki detailed a new plan to cap the price of electricity 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 companies, schools, day-care centers, 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 caps are expected to apply from December 2022 to December 2023. The measure will be financed by revenues from the windfall tax on electricity producers and from the state budget ([Bruegel](#)).

November 2022

- In September, the country suspended a ban on the use of lignite for home heating until April 2023. In June, it said it planned "to increase thermal coal production from existing mines by up to 1.5 million tonnes this year" ([Bruegel](#)).
- Government and local authorities will be required to reduce their electricity consumption by 10% from 1 October 2022 ([Bruegel](#)).
- Poland is quickly becoming the fastest growing 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 likely the result of Poland's Clean Air Program, launched in 2018 and energized in May 2020, which distributes €25 billion to households over 11 years to switch from solid fuel heating. The war in Ukraine, however, 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 July 15, 2022, another version of the program - Clean Air Plus - was launched. This one increased the subsidy for thermal retrofitting of homes or replacement of obsolete heating boilers up to a 90% subsidy, or €16,260, also facilitating the application process ([Bruegel](#)).
- **In a letter to the EU institutions, Poland warns against introducing a carbon price for heating fuels:** Polish Minister of Climate and Environment Anna Moskwa sounds the alarm on plans to extend the EU Emissions Trading Scheme (ETS) to heating and transport fuels. The minister recalls that Europe is in a period of crisis characterized by historic energy prices, with *"the very likely consequence that this will lead to an increase in energy poverty"* in the European Union. *"We cannot allow this to happen,"* she warns, *"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. "A warm house in winter should not be a market commodity, but a citizen's right,"* she insists ([Euractiv](#)).

| | | Portugal | |
|---------------------|---------|---|---|
| Business conditions | General | Construction | |
| | | <p>September 2022 After the unprecedented 8.4% drop in GDP in 2020, the Portuguese economy recovered and grew by 4.8% in 2021.</p> <p>According to the Bank of Portugal's forecasts, the economy should continue to grow in the coming years, but at a moderate pace. Thus, it forecasts GDP growth of +5.8% in 2022, +3.1% in 2023 and +2.0% in 2024 (FIEC, 2022).</p> <p>Inflation in June 2022 reached 8.1% (OECD, June 2022).</p> <p>November 2022 Inflation was 10.14% in October 2022, while GDP growth was 4.9% in the second half of 2022 (Statistics Portugal).</p> <p>December 2022 Inflation was of 9.94% in November 2022 while the GDP growth was of 4.9% in the third quarter of 2022 (Statistics Portugal).</p> | <p>September 2022 According to FEPICOP estimates, the construction sector's output increased, in real terms, by 4.3% in 2021.</p> <p>After a long period of recession that began in 2002 and lasted until 2016, construction output has increased since 2017 and has been accompanied by an increase in the number of construction workers from 290,000 (on average) in 2016, to 305,400 workers (on average) in 2021.</p> <p>The increase in construction employment in 2021 resulted in a reduction in construction unemployment greater than that recorded for total unemployment (-15.4% and -14.2% respectively).</p> <p>Construction output is expected to increase by +3.3% in 2022, with the building construction segment increasing by 1.6% and the civil engineering segment by 5.2% (FIEC, 2022).</p> <p>October 2022 In the second quarter of 2022, 43,607 housing transactions took place, 4.5% more than in the same quarter of 2021. In terms of the value of family housing transactions, it amounted to €8,288 million, an amount that reflects an annual growth of 19.5% for this quarter.</p> <p>As for the public works market, the decline in tenders and contracts for works remains virtually unchanged. Until last August, the volume of tenders for public works contracts promoted recorded a decline of 18.2% in annual terms and</p> |

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| | | <p>the volume of contracts concluded recorded an annual decline of 40.1% (FEPICOP).</p> <p>November 2022 The evolution of the main indicators linked to the activity of the construction sector remained globally positive, despite the constraints linked to the increase in the prices of raw materials, energy and building materials. There are no significant changes in the public works market, with records of declines in tenders and contracts awarded. At the end of the 3rd quarter, the volume of tenders for public works contracts promoted shows a year-on-year reduction of 15.9% and the volume of contracts concluded shows a year-on-year change of -36.5% (FEPICOP). In the last three months, the civil engineering activity increased by 8.3% compared to the same months of the previous year (Statistics Portugal).</p> <p>December 2022</p> |
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| | | <p>In the first nine months of 2022, in year-on-year terms, the evolution of Investment in Construction in the Construction sector recorded increases of 0.8%, despite the accelerated increase in inflation, the rise in interest rates and delay in launching the planned public works.</p> <p>In the month of September, the new housing construction cost index increased by 13.4%, year-on-year, 0.9 percentage points (p.p.) more than that observed in the previous month, in the face of year-on-year changes of 18.6% in the index related to the material component and 6.1% in the index related to the labor component.</p> <p>In October, in the public works market, there was a less negative evolution, both in promoted and awarded tenders. Thus, in the first 10 months of 2022, the volume of tenders for public works promoted presents a year-on-year reduction of 10.8% (it was -15.9% in the previous month) and the volume of contracts signed registers a year-on-year variation temporally comparable figure of -31.6% (FEPICOP).</p> |
| Raw materials | Procurement | Price |
| | | <p>Portugal is experiencing 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 Commission in charge of the price revision.</p> <p>The largest increase is in PVC pipes (+71% increase during the year 2021), wood-based materials (+65%), bitumen (+65%). Steel, on the other hand, has increased by 40%.</p> |
| Energies | Procurement | Price / Cost |
| | In 2019, fossil fuels accounted for 76% of Portugal's primary energy consumption (43% for oil). Given its limited fossil fuel | Portugal signed an agreement with the European Commission in April 2022 to unbundle the price of gas and |

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| | <p>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 sources on its territory, in particular to produce electricity, the IEA points out. Renewable energies account for more than half of Portugal's electricity production (54% in 2019, mainly thanks to wind power and hydroelectricity). (Energy Knowledge, July 2021).</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 (Portugal News, March 2022).</p> | <p>electricity and contain the increase in costs. This derogatory situation was validated in view of Portugal's unique energy mix, which derives more than 50% of its energy from renewable sources.</p> <p>This agreement will initially cap the price of gas used in electricity generation at 40 euros per megawatt-hour, with an average target of 50 euros over the next 12 months (L'avenir, April 2022).</p> <p>October 2022 Fuel prices continue to fall in Portugal. At the beginning of November, the price of a liter of diesel should drop by two cents and that of gasoline by 1.5 cents. From now on, diesel will cost €1.933 per liter and €1.820 per liter of gasoline (95), taking into account the discounts applied (Portugal News).</p> <p>November 2022 Diesel will drop by five cents and gasoline by 4.5 cents, according to a market source reported by ECO. In the space of a month, diesel, the most used fuel in Portugal, has already dropped 32 cents and gasoline 25 cents (Portugal News).</p> |
| <p>Measures adopted by the utilities</p> | <p>September 2022 In Portugal, there is a mandatory price revision regime for public works contracts. However, this revision does not cover all the price increases. In addition, there is a gap between the publication of indices and the execution of the work, which generates cash flow problems. In the private sector, price revision is not mandatory and most contracts do not provide for it. This is very restrictive for companies, which must negotiate the amendment of the contract by invoking unforeseen circumstances or opt for the termination of the contract.</p> <p><u>General Measures:</u></p> | |

- Electricity and Gas Rate Shield;
- Assistance of 10 cents per liter of fuel - limit of 50 liters per month;
- Extension, until December 31, 2026, of the measure that allows freight and passenger transport companies to deduct an amount equivalent to 120% of the expenses incurred for the acquisition, on Portuguese territory, of fuel for the vehicles;
- Support for public road passenger transport (cabs and buses) up to 10 cents per liter of fuel, up to 380 liters per month for cabs 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 impact the lives of 1.6 million beneficiaries. The budgeted cost is 155 million euros. 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 the rising prices of fuel and other commodities. In total, the impact of measures to mitigate rising prices and interest exceeds 2.6 billion euros in 2023. Support for the cost of fuel in agriculture is planned at 40 million, while the reduction of VAT on electricity (to 6%) is 90 million. The budget also provides for customers currently in the unregulated natural gas market to return to the regulated market. Assuming that all consumers eligible to return to the regulated market actually do so, the cost is estimated at 60 million euros. Maintaining the price of public transport subscriptions will cost 66 million. In 2023, the ISP tax (a carbon footprint tax) is extraordinarily suspended.

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

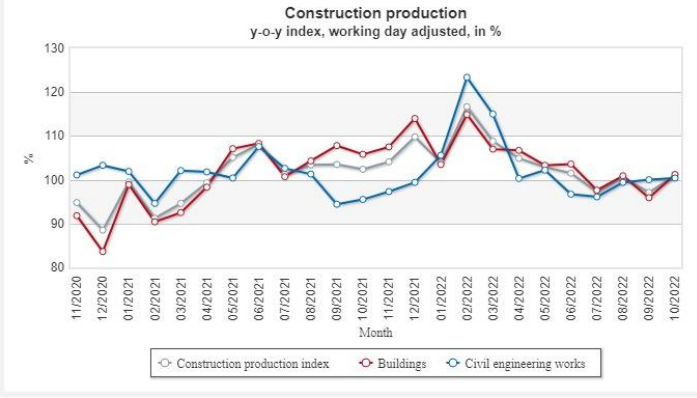
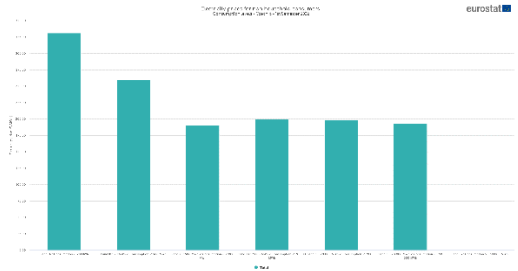
November 2022

On September 22, 2022, the government published its 2022-2023 energy savings 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

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

| Czech Republic | | |
|---------------------|---|---|
| Business conditions | General | Construction |
| | <p>September 2022 Growth in the Czech Republic is expected to increase by 1.8% in 2022 and 2% in 2023. However, major uncertainties remain as a result of rising prices, the war in Ukraine and supply chain disruptions. Inflation will have peaked in April 2022 at 14.2%. It is expected to fall back to around 2% by the end of 2022 (OECD, June 2022).</p> <p>November 2022 In October, annual GDP growth was 1.7% while annual inflation was 13.5% (Statistics Czech Republic).</p> <p>December 2022</p> | <p>September 2022 Construction Output Trends, January 2019 - July 2022 (SPS, July 2022):</p> <p style="text-align: center;">INDEX STAVEBNÍ PRODUKCE Očištěno o pracovní dny, mezitřídí změny</p> |

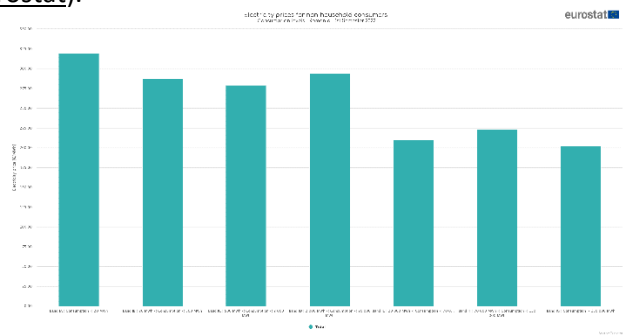
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| | <p>In November, the inflation rate reached 14.5% (monthly basis) while the annual inflation was on average of 3.8% in 2022 compared to 2021 (Statistics Czech Republic).</p> | <p>In July, construction output fell by 2.7% in real terms year-on-year. Construction authorities issued 9.2% fewer building permits and the indicative value of these permits fell by 61.0%. Year-on-year, the number of housing starts fell by 28.6%. 6.0% fewer housing units were completed (SPS, July 2022).</p> <p>October 2022 Between August 2021 and August 2022, construction activity decreased by 0.3%. Between July and August 2022, construction activity increased by 1.4% (Eurostat).</p> <p>November 2022 In September 2022, construction output decreased by 3.7% (compared to October 2021)(CZSO).</p> <p>December 2022 The construction output increased by 1.0%, year-on-year (y-o-y), in real terms, in October. In the month-on-month (m-o-m) comparison, it was by 1.8% higher. The planning and building control authorities granted by 6.5% less building permits, y-o-y. The approximate value of permitted constructions increased by 11.1%, y-o-y. The number of started dwellings decreased by 27.7%, y-o-y. The number of completed dwellings decreased by 0.6%, y-o-y (Statistics Czech Republic).</p> |
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| | |  <p>Construction work prices were higher m-o-m (+0.3%) and y-o-y (+11.9%). Service producer prices in the business sphere increased m-o-m (+0.2%) and rose y-o-y (+6.5%) (Statistics Czech Republic).</p> |
| <p>Raw materials & Energies</p> | <p>Procurement</p> <p>The Czech Republic imports about 90% of its natural gas from Russia. 50% of Czech oil consumption comes from Russia. The country has its own coal mines and imports additional coal, mainly from Poland (Euractiv, March 2022).</p> <p>November 2022</p> <p>The worsening energy crisis has accelerated the launch of projects to build new nuclear power plants, including a small modular reactor (SMR), which is easier and faster to build than large nuclear reactors. One of these could be built at the Temelín nuclear power plant between 2032 and 2035, while preparations continue for the construction of two standard units to build new reactors with a capacity of 2.4 GW by 2036.</p> | <p>Price / Cost</p> <p>October 2022</p> <p>Electricity prices for consumers (excluding households) according to their consumption, in the first half of 2022 (Eurostat).</p>  |

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| Measures adopted by the utilities | | <p>September 2022</p> <p>The Czech government has adopted numerous 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 with regard to the use of pension funds.</p> <p>On March 30, 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 primarily on the access of entities with Russian and Belarusian owners to state aid, government procurement, and investment incentives in the Czech Republic, but also discusses 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 the expropriation of their property (FIEC, September 2022).</p> <p>October 2022</p> <p>On September 27, 2022, the government approved the new budget bill that 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 starting with November deposit payments.</p> <p>On October 6, 2022, the government proposed a one-time 60% tax on energy companies and large banks active in the production, distribution and trade of electricity and gas, as well as in fossil fuel extraction, oil processing and fuel wholesale for the years 2023-2025 (Bruegel).</p> <p>November 2022</p> <p>The government has published a manual 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 is also setting temperature limits in private and public buildings (for example, the government has reduced the temperature in offices by 1.5 degrees and has also decided to lower the minimum temperature in work environments by at least two degrees)(Bruegel).</p> <p>The government's medium-term approaches target the renovation of buildings (including envelope insulation, window replacement, 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 program. Heat pumps are partially subsidized 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</p> |
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| | <p>obsolete heating system with a modern one or improve rainwater management. The government has approved an amendment that will simplify the authorization procedure for small-scale renewable sources (Bruegel).</p> |
| <p>Positioning of the Federation</p> | <p>September 2022 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 held a roundtable discussion in September 2022 on the raw materials crisis in construction, a growing threat to the nation's industry (SPS, September 2022).</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 in the European Union as much as possible, through 6 specific measures - including a price ceiling for electricity and gas, an incentive to reduce household consumption, a support scheme for small and medium-sized enterprises... (SPS, August 2022).</p> |

| | | Romania | |
|---------------------|---------|--|--|
| Economic conditions | General | Construction | |
| | | <p>September 2022 Romania's economy has already reached its pre-pandemic level in the first half of 2022, with growth supported by strong domestic demand. The IMF forecasts growth of 4.8 percent this year and 3.8 percent in 2023.</p> <p>The continued sharp increase in energy prices has driven average inflation to 4.3% in 2021, with a forecast of 3.4% for 2022 (BNP Paribas, Trade Solutions, 2022).</p> <p>October 2022 In October, annual GDP growth was 4.8% while annual inflation was 13.3% (IMF).</p> <p>December 2022 The inflation rate since the beginning of the year (November 2022 compared to December 2021) is 15.9% (Statistics Romania).</p> | <p>September 2022 In current prices, in 2021, net investment in new construction amounted to €14.1 million, 7.1% higher than in 2020. Similarly, in 2021, construction accounted for 6.6% of GDP, a value almost similar to that of 2020, respectively 6.3%. Civil works recorded a decrease of 9.17% compared to 2020. The increase in the volume of activity in the construction sector is reflected in the average number of employees in construction, which recorded an increase of 5% in 2021, respectively 427,500 employees in 2021 against 407,209 employees in 2020. Civil works recorded a decrease of 9.17% in 2021 (compared to 2020)(FIEC, 2022).</p> <p>October 2022 In August 2022, the volume of construction work increased, by 8.0% compared to July 2022 and grew annually by 15.8% (August 2021 - August 2022)(National Statistical Office Romania & Eurostat).</p> <p>November 2022 In October 2022, 3290 construction permits for residential buildings were issued, down 15.2% from September 2022 and 22.8% from October 2021 (National Statistics Office Romania).</p> <p>In September 2022, the volume of construction work increased by 8.2% compared to August 2022 and the volume of construction work increased by 26.4% compared to September 2021 (National Statistical Office Romania).</p> |

| | Procurement | Prices / Costs | | | | | | | | | | | | | | | | |
|---|--|--|-------|---------------|------|-------|--------|-------|-----------|-------|---------|-------|----------|-------|----------|-------|---------|-------|
| <p>Raw materials & Energies</p> | <p>In recent years, Romania has become increasingly dependent on Russia for its energy needs.</p> <ul style="list-style-type: none"> • By 2021, Romania was dependent on imports for 30% of its gas, of which over 80% came from Russia. • About two-thirds of the oil refined in Romania is imported, half of which comes from Russia (Euractiv, March 2022). <p>November 2022 The government has reversed its decision to bring forward the date for the complete phase-out of coal (originally set 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 dismantled on December 31, 2022.</p> | <p>September 2022 The average price increase for building materials was about 40%, except for some materials such as metal products, PVC products, bitumen and other non-ferrous metals, which increased by over 40%.</p> <p>October 2022 Electricity prices for consumers (excluding households) according to their consumption in the first half of 2022 (Eurostat).</p>  <table border="1"> <caption>Electricity prices for consumers (excluding households) in Romania - H1 2022</caption> <thead> <tr> <th>Month</th> <th>Price (€/MWh)</th> </tr> </thead> <tbody> <tr> <td>July</td> <td>~21.5</td> </tr> <tr> <td>August</td> <td>~19.5</td> </tr> <tr> <td>September</td> <td>~19.0</td> </tr> <tr> <td>October</td> <td>~20.0</td> </tr> <tr> <td>November</td> <td>~17.5</td> </tr> <tr> <td>December</td> <td>~18.0</td> </tr> <tr> <td>January</td> <td>~17.0</td> </tr> </tbody> </table> | Month | Price (€/MWh) | July | ~21.5 | August | ~19.5 | September | ~19.0 | October | ~20.0 | November | ~17.5 | December | ~18.0 | January | ~17.0 |
| Month | Price (€/MWh) | | | | | | | | | | | | | | | | | |
| July | ~21.5 | | | | | | | | | | | | | | | | | |
| August | ~19.5 | | | | | | | | | | | | | | | | | |
| September | ~19.0 | | | | | | | | | | | | | | | | | |
| October | ~20.0 | | | | | | | | | | | | | | | | | |
| November | ~17.5 | | | | | | | | | | | | | | | | | |
| December | ~18.0 | | | | | | | | | | | | | | | | | |
| January | ~17.0 | | | | | | | | | | | | | | | | | |
| <p>Measures adopted by the utilities</p> | <p>September 2022</p> <ol style="list-style-type: none"> 1) On April 14, 2022, the government approved an ordinance on the adjustment of government contract prices. <ul style="list-style-type: none"> ⇒ Implementation of price adjustment rules for contracts that do not include a review clause; ⇒ In case the formulas for revision of the contract price are based on a statistical index (total construction cost index published by the National Institute of Statistics) whose reference data is the date of the signed contract, the reference date of the index is changed by Emergency Ordinance No. 47, by the date of submission of the bid for the tender (provided that the period between the time when the bidder submits the bid and the date when the contract is actually signed may take up to 2 years). ⇒ Advances and profits are not subject to price revision | | | | | | | | | | | | | | | | | |

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| | <p>2) Ceiling of the price of energy and natural gas, for the period 01.02-31.03.2022.</p> <p>October 2022 On September 1, the Romanian government announced that it would maintain its energy price cap until the end of August 2023, with some minor modifications. For a complete and detailed list, please click here.</p> <p>On September 9, 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 company active in the agriculture, fisheries and aquaculture sectors respectively, and €500,000 per company 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 implemented an energy assistance program that compensates energy providers 1,300 lei (€264) per megawatt hour, but that may not be enough to help utilities during the coming winter (Bruegel).</p> <p>November 2022 The government has amended the Energy Efficiency Act to facilitate investment in projects to increase the energy performance of buildings with European subsidies as a financial guarantee; and to promote the installation of smart meters; improving household access to energy consumption data (Bruegel).</p> |
| Positioning of the Federation | |

| | Slovakia | |
|----------------------------|-----------------------|-----------------------|
| Business conditions | General | Construction |
| | September 2022 | September 2022 |

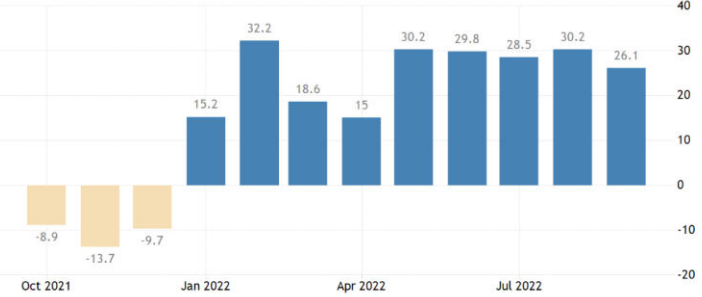
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| | <p>The Slovak economy is expected to grow by 2.3% in 2022 and 3.4% in 2023. By May 2022, inflation will have reached 11.8%.</p> <p>November 2022 Inflation continued to rise, reaching 14.9% in October 2022 (annualized). GDP grew by 1.3% in the second quarter of 2022, a slowdown from 2.9% in the first quarter (National Statistical Office Slovakia).</p> <p>December 2022 Inflation continued to rise, reaching 15.4% in November 2022 (annualized). GDP grew by 1.4% in the third quarter of 2022 (National Statistical Office Slovakia).</p> | <p>The construction sector showed signs of decline in 2021. In particular, performance fell in new construction. Only repairs and maintenance showed higher performance.</p> <p>Construction output in 2021 amounted to EUR 5.4 billion, a decrease of 2.1% compared to 2020. The work done by construction companies at the national level, decreased by 4.8% year-on-year. This decline is mainly due to a 7.8% drop in new construction. On the contrary, repair and maintenance work increased by 1.1%. On the production side, civil engineering works decreased by almost 10%, while building works decreased slightly less.</p> <p>In total, for the first four months of 2022, construction output amounted to EUR 1.6 billion (FIEC, 2022 & ZSPS, 2022).</p> <p>October 2022 In August, construction output is resilient to inflation and is up 2.5 percent year-over-year, mainly due to domestic work on new buildings.</p> <p>Construction activity, September 2021 - August 2022 (Statistical Office Slovakia).</p> |
|--|--|---|

| | | <p>Construction production (at constant prices, year-on-year %)</p> <p>STATISTICAL OFFICE OF THE SLOVAK REPUBLIC</p> <table border="1"> <caption>Construction production (at constant prices, year-on-year %)</caption> <thead> <tr> <th>Month</th> <th>Construction production (in inland and abroad)</th> <th>New construction, reconstruction and modernization (in inland)</th> <th>Repair and maintenance (in inland)</th> </tr> </thead> <tbody> <tr><td>8. 2021</td><td>-5.0</td><td>-6.0</td><td>1.0</td></tr> <tr><td>9. 2021</td><td>-4.0</td><td>-11.0</td><td>11.0</td></tr> <tr><td>10. 2021</td><td>4.0</td><td>4.0</td><td>-8.0</td></tr> <tr><td>11. 2021</td><td>1.0</td><td>-5.0</td><td>5.0</td></tr> <tr><td>12. 2021</td><td>0.0</td><td>-4.0</td><td>5.0</td></tr> <tr><td>1. 2022</td><td>-3.0</td><td>-12.0</td><td>6.0</td></tr> <tr><td>2. 2022</td><td>6.0</td><td>6.0</td><td>0.0</td></tr> <tr><td>3. 2022</td><td>5.0</td><td>5.0</td><td>0.0</td></tr> <tr><td>4. 2022</td><td>-2.0</td><td>-2.0</td><td>0.0</td></tr> <tr><td>5. 2022</td><td>2.0</td><td>9.0</td><td>-5.0</td></tr> <tr><td>6. 2022</td><td>-4.0</td><td>-4.0</td><td>4.0</td></tr> <tr><td>7. 2022</td><td>1.0</td><td>1.0</td><td>-4.0</td></tr> <tr><td>8. 2022</td><td>2.5</td><td>6.1</td><td>-0.7</td></tr> </tbody> </table> <p> — Construction production (in inland and abroad) — the most important components by the highest share: — New construction, reconstruction and modernization (in inland) — Repair and maintenance (in inland) </p> | Month | Construction production (in inland and abroad) | New construction, reconstruction and modernization (in inland) | Repair and maintenance (in inland) | 8. 2021 | -5.0 | -6.0 | 1.0 | 9. 2021 | -4.0 | -11.0 | 11.0 | 10. 2021 | 4.0 | 4.0 | -8.0 | 11. 2021 | 1.0 | -5.0 | 5.0 | 12. 2021 | 0.0 | -4.0 | 5.0 | 1. 2022 | -3.0 | -12.0 | 6.0 | 2. 2022 | 6.0 | 6.0 | 0.0 | 3. 2022 | 5.0 | 5.0 | 0.0 | 4. 2022 | -2.0 | -2.0 | 0.0 | 5. 2022 | 2.0 | 9.0 | -5.0 | 6. 2022 | -4.0 | -4.0 | 4.0 | 7. 2022 | 1.0 | 1.0 | -4.0 | 8. 2022 | 2.5 | 6.1 | -0.7 |
|--|---|--|------------------------------------|--|--|------------------------------------|---------|------|------|-----|---------|------|-------|------|----------|-----|-----|------|----------|-----|------|-----|----------|-----|------|-----|---------|------|-------|-----|---------|-----|-----|-----|---------|-----|-----|-----|---------|------|------|-----|---------|-----|-----|------|---------|------|------|-----|---------|-----|-----|------|---------|-----|-----|------|
| Month | Construction production (in inland and abroad) | New construction, reconstruction and modernization (in inland) | Repair and maintenance (in inland) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8. 2021 | -5.0 | -6.0 | 1.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9. 2021 | -4.0 | -11.0 | 11.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10. 2021 | 4.0 | 4.0 | -8.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11. 2021 | 1.0 | -5.0 | 5.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12. 2021 | 0.0 | -4.0 | 5.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. 2022 | -3.0 | -12.0 | 6.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. 2022 | 6.0 | 6.0 | 0.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. 2022 | 5.0 | 5.0 | 0.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. 2022 | -2.0 | -2.0 | 0.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5. 2022 | 2.0 | 9.0 | -5.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6. 2022 | -4.0 | -4.0 | 4.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7. 2022 | 1.0 | 1.0 | -4.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8. 2022 | 2.5 | 6.1 | -0.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Raw materials & Energies</p> | <p style="text-align: center;">Procurement</p> <p>The Slovak Republic is very dependent on Russia for its energy needs and is supplied with gas and oil via facilities that cross Ukraine.</p> <p>November 2022 On August 25, 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 (Bruegel).</p> <p>December 2022</p> | <p style="text-align: center;">Prices / Costs</p> <p>September 2022 Construction prices rose 17.3% year-over-year in May 2022 and were up 1% from April 2022. In the first five months of 2022, construction prices increased 18.3 percent compared to the first five months of 2021 (Startituptup, July 2022).</p> <p>October 2022 Electricity prices for consumers (excluding households) according to their consumption, in the first half of 2022 (Eurostat).</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | <p>The EU oil embargo bans Russian oil imports by sea, but Slovakia, along with Hungary and the Czech Republic, is exempt and can continue to buy Russian crude oil until the end of 2023 via the Druzhba pipeline.</p> <p>The only current danger is damage to the infrastructure, Hirman said, adding that "if anything threatens us, it is Russia's attacks on Ukrainian territory." In addition, power outages on Ukrainian territory have already caused several supply disruptions in recent weeks.</p> <p>In case of disruptions, oil imports will be routed to the Slovakian refinery Slovnaft via Croatia and Hungary. However, changing suppliers and switching to a different type of crude oil will require time and adaptations in processing technology - an argument presented by the embargo-free countries in the negotiations (Euractiv).</p> <p>In December 2022, 43.7% of Slovakia's energy was imported (Statistics Slovakia).</p> | <table border="1"> <caption>Electricity prices for non-household consumers in Slovakia (€/MWh)</caption> <thead> <tr> <th>Year</th> <th>Price (€/MWh)</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>13500</td> </tr> <tr> <td>2020</td> <td>11500</td> </tr> <tr> <td>2021</td> <td>10500</td> </tr> <tr> <td>2022</td> <td>10000</td> </tr> </tbody> </table> | Year | Price (€/MWh) | 2019 | 13500 | 2020 | 11500 | 2021 | 10500 | 2022 | 10000 |
|---|--|---|------|---------------|------|-------|------|-------|------|-------|------|-------|
| Year | Price (€/MWh) | | | | | | | | | | | |
| 2019 | 13500 | | | | | | | | | | | |
| 2020 | 11500 | | | | | | | | | | | |
| 2021 | 10500 | | | | | | | | | | | |
| 2022 | 10000 | | | | | | | | | | | |
| <p>Measures adopted by the utilities</p> | <p>September 2022</p> <ul style="list-style-type: none"> • A price cap has been negotiated with the electricity and gas suppliers, which is active until 2024; • A package of aid for households has been put in place (tax reduction, increase in aid/child)(OECD, June 2022). • The government has issued a guideline (binding only on public contracts) on taking into account the rising cost of materials in construction, including on current contracts. This allows for a review of the production cost for the builder and the actual purchase cost (Ministry of Transport and Construction, August 2022). <p>October 2022</p> <ul style="list-style-type: none"> • On September 14, the Minister of Labour, Social Affairs and Family, Milan Krajniak, said that the government will soon adopt laws that will cap the prices of electricity, gas and heating. • 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 EU level (Bruegel). | | | | | | | | | | | |

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| | <p>November 2022</p> <ul style="list-style-type: none"> • The government has launched an awareness campaign to inform citizens about how to save energy (Bruegel). • The government has announced a program to subsidize households wishing to install heat pumps and has allocated 15 million euros for this purpose. 500 million from the EU stimulus package) from September 2022 (Bruegel). |
| <p>Positioning of the Federation</p> | <p>September 2022</p> <p>The Slovak Construction Association cooperated with the Ministry of Transport and Construction on the reform of construction prices implemented by the government (indexation formula).</p> <p>October 2022</p> <p>The Association of Trade Unions in Industry and Transport (APZD) has called on the government to implement a plan to help Slovak industrial companies immediately and quickly 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> |

| | Slovenia | |
|---------------------|---|---|
| Economic conditions | General | Construction |
| | <p>September 2022</p> <p>The war in Ukraine and bottlenecks in supply chains are negatively affecting economic activity (higher energy and food prices). The post-pandemic recovery has been driven mainly by domestic demand, driven by a fiscal stimulus of about 10% of GDP in 2020-2021 that has supported incomes and businesses. In 2022, economic growth is expected to be 4.6% and in 2023, 2.5% (OECD, June 2022).</p> <p>Inflation is expected to average 3.7% by the end of 2022 (Treasury, 2022).</p> <p>October 2022</p> <p>Annual GDP growth was 5.7% between October 2021 and 2022, while annual inflation was 8.9% (IMF).</p> | <p>September 2022</p> <p>Investment activity in construction has been affected by rising prices and difficulties in the supply of materials. Value added in construction increased by 2.8% in real terms in 2021. The construction sector accounts for 6.1% of total value added in Slovenia. The population's purchasing power remained high, interest rates remained low, and demand remained strong, leading to growth in residential construction.</p> <p>The value of construction work was 0.5% lower in 2021 than in 2020. Construction activity was weak due to high prices and lower availability of materials, as well as a shortage of workers (FIEC, 2022).</p> <p>October 2022</p> |

| | <p>November 2022 GDP growth was 3.4% in the third quarter of 2022, while inflation reached 10% (Statistics Slovenia).</p> | <p>Construction output rose 0.8% between July and August 2022 (Eurostat).</p> <p>November 2022 Construction Output, October 2021 - September 2022 (Trading Economics).</p>  <table border="1"> <caption>Construction Output Changes (Monthly)</caption> <thead> <tr> <th>Month</th> <th>Change (%)</th> </tr> </thead> <tbody> <tr><td>Oct 2021</td><td>-8.9</td></tr> <tr><td>Nov 2021</td><td>-13.7</td></tr> <tr><td>Dec 2021</td><td>-9.7</td></tr> <tr><td>Jan 2022</td><td>15.2</td></tr> <tr><td>Feb 2022</td><td>32.2</td></tr> <tr><td>Mar 2022</td><td>18.6</td></tr> <tr><td>Apr 2022</td><td>15</td></tr> <tr><td>May 2022</td><td>30.2</td></tr> <tr><td>Jun 2022</td><td>29.8</td></tr> <tr><td>Jul 2022</td><td>28.5</td></tr> <tr><td>Aug 2022</td><td>30.2</td></tr> <tr><td>Sep 2022</td><td>26.1</td></tr> </tbody> </table> <p>TRADINGECONOMICS.COM EUROSTAT</p> <p>December 2022 At the monthly level, the value of construction put in place increased by 8.5%. As regards buildings, it went up by 16.7% and as regards civil engineering by 8.7%, while as regards specialized construction activities it went down by 7.9%. At the annual level, the value of construction put in place increased by 54.6%. As regards buildings, it went up by 144.7% and as regards civil engineering by 14.4%, while as regards specialized construction activities it went down by 6.5% (Statistics Slovenia).</p> | Month | Change (%) | Oct 2021 | -8.9 | Nov 2021 | -13.7 | Dec 2021 | -9.7 | Jan 2022 | 15.2 | Feb 2022 | 32.2 | Mar 2022 | 18.6 | Apr 2022 | 15 | May 2022 | 30.2 | Jun 2022 | 29.8 | Jul 2022 | 28.5 | Aug 2022 | 30.2 | Sep 2022 | 26.1 |
|--|--|--|-------|------------|----------|------|----------|-------|----------|------|----------|------|----------|------|----------|------|----------|----|----------|------|----------|------|----------|------|----------|------|----------|------|
| Month | Change (%) | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Oct 2021 | -8.9 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Nov 2021 | -13.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dec 2021 | -9.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Jan 2022 | 15.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Feb 2022 | 32.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mar 2022 | 18.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Apr 2022 | 15 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| May 2022 | 30.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Jun 2022 | 29.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Jul 2022 | 28.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Aug 2022 | 30.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sep 2022 | 26.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Raw materials & Energies</p> | <p>Procurement 18% of Slovenia's energy consumption comes from Russia: 13% of its oil and 100% of its gas were Russian. Since the</p> | <p>Prices / Costs September 2022</p> | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | <p>beginning of the war, Slovenia has diversified its energy supplies, relying in particular on liquid gas (OECD, June 2022).</p> | <p>In the second quarter of 2022, natural gas and electricity prices rose sharply for consumers: electricity prices increased by 35%, and natural gas prices by 11%. For businesses, the cost of electricity increased by 82.1% between 2021 and 2022 (National Statistical Office of Slovenia, August 2022).</p> <p>The price of building materials has increased by more than 150%.</p> <ul style="list-style-type: none"> • Raw materials: +60%. • Metal and other natural minerals: +100%. <p>Only for the period March 2021 - March 2022:</p> <ul style="list-style-type: none"> • Concrete reinforcing bar: +245% on average • Bitumen-based products: between +120 and +140%, • Brick and ceramic products: +70%. • Polymer : between +50 and +75%. <p>October 2022</p> <p>The average electricity price for domestic consumers in Slovenia in the second quarter of 2022 was EUR 0.157/kWh, while the average electricity price without value added tax for non-domestic consumers was EUR 0.162/kWh. The former price was 35% and the latter 8% higher than in the previous quarter (National Statistical Office Slovenia).</p> <p>December 2022</p> <p>The average natural gas price for household consumers in Slovenia in the third quarter of 2022 increased by 22% when compared to the second quarter of 2022 and was 0.094 EUR/kWh. During the same period, the average natural gas</p> |
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|---|---|---|
| | | <p>price without value added tax for non-household consumers increased by 19%; it accounted to 0.075 EUR/kWh.</p> <p>The average electricity prices for household consumers in the third quarter of 2022 increased by 31% when compared to the previous quarter and was 0.205 EUR/kWh. During that period the average electricity price for non-household consumers increased by 25%; it was 0.204 EUR/kWh (Statistics Slovakia).</p> |
| <p>Measures adopted by the utilities</p> | <p>September 2022</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 were aimed at the most vulnerable groups, companies and farmers, in the form of energy vouchers, reduced grid charges for electricity and lower excise duties on heating oil and gasoline (EUR 200 million)(Treasury, 2022).</p> <p>October 2022</p> <p>The government has introduced support measures for medium and large companies between June 1 and December 31, 2022, by co-financing the costs of electric energy and natural gas beyond a double increase in their prices. The amount of assistance depends on how the company's price situation changes in 2021 and 2022. Small and medium-sized companies can receive aid of up to 50% of eligible costs and large companies up to 30% of eligible costs. When they prove a loss of business, energy-intensive companies will be able to claim up to 70 percent of eligible costs; the maximum amount of aid is €2 million. The government has also earmarked €6 million for favorable liquidity facilities for small and medium-sized enterprises affected by the crisis. The total estimated value of the business measures is €86 million.</p> <p>The government has announced that it will pay a new one-off energy allowance of €200 (with 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 welfare or income support in the period between August 1, 2022, and March 31, 2023. The allowance will be received by approximately 71,000 individuals and families. The measure is estimated to cost 35 million euros (Bruegel).</p> <p>November 2022</p> <p>In September 2022, the government approved a law with measures in an energy crisis that allows it to impose lighting limitations and air temperature limitations for heating purposes in public buildings until one year after the expiration of the emergency declaration. In addition, it introduces rewards for consumers who choose to voluntarily reduce their gas and electricity consumption by 15 per cent between October 1, 2022 and March 31, 2023 through pro-rata refunds of the contribution to renewable energy sources (Bruegel).</p> | |

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|--------------------------------------|--|
| | <p>The Slovenian government has unveiled a bill that would impose a one-time tax on energy companies in 2022 and 2023 to subsidize renewable energy and fund measures to reduce electricity demand during peak periods. Under the proposal, any revenue above 180 euros per MWh of electricity generated in Slovenia and sold on the wholesale market would go to the national budget.</p> <p>Electricity companies whose production costs exceed 180 euros per MWh would be exempted, as would electricity produced 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 that produce and process crude oil and natural gas in Slovenia (Slovenia Times).</p> |
| Positioning of the Federation | |

| | Sweden | |
|----------------------------|---|---|
| Business conditions | General | Construction |
| | <p>September 2022 Growth will slow to 2.2% in 2022 and 1% in 2023. In April 2022, inflation will have reached 6.4% (the highest rate in 30 years)(OECD, June 2022).</p> <p>October 2022 Annual GDP growth was 2.6% between October 2021 and 2022, while annual inflation was 7.2% (IMF).</p> <p>November 2022 During the third quarter of 2022, GDP increased by 0.6% compared to the second quarter of 2022. This recovery was largely due to gross fixed capital formation (Statistics Sweden). Inflation, on the other hand, reached 10.9% (Statistics Sweden).</p> | <p>September 2022 The construction sector has only a small negative impact on GDP growth in 2020-2021. This is largely due to the relatively good level of housing starts during 2021. In total, construction investment declined by only 0.6 percent in 2021. From an employment perspective, 2020 was a weak year, with construction employment declining by 2.2 percent. However, negative employment growth has flattened and will be slightly positive in 2021, thanks to a relatively robust construction market.</p> <p>EUR 53 billion was invested in construction in 2021. However, the production of new (residential) construction decreased by 4% in 2021, and (non-residential) construction decreased by 3% in 2021 (BYGGFÖRETAGEN, 2022)(FIEC, 2022).</p> |

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| | <p>December 2022 Inflation reached 9.5% at the end of 2022, while GDP growth was of 0.6% (Statistics Sweden).</p> | <p>October 2022 Construction output increased by 4.6% between August 2021 and August 2022. While between July and August 2022, the latter increased by 0.7% (Eurostat).</p> <p>December 2022 Preliminary figures show that construction of 43 750 dwellings began in the first three quarters of 2022. This is 9% less than in the same period in 2021, when the construction of 48 170 dwellings was started (Statistics Sweden).</p> |
| <p>Raw materials & Energies</p> | <p>Procurement</p> <p>Sweden is mainly impacted by the war in Ukraine on energy costs. On the supply side, trade relations before the war were weak between Sweden and Russia/Ukraine (OECD, June 2022).</p> <p>November 2022 The government has commissioned Vattenfall, the Swedish electricity producer and distributor, to study extending the life of Ringhals 3 and 4 (currently scheduled to operate until 2040). The government would invest SEK 400 billion (36.5 billion euros) in credit guarantees for the construction of new nuclear power plants and has instructed the state-owned Vattenfall to begin planning for the project. The new government will also make regulatory changes to simplify the nuclear construction process, including introducing a fast-track regulatory procedure for reactor types that have been approved in other EU countries (Bruegel).</p> | <p>Prices / Costs</p> <p>September 2022 Between January 2021 and January 2022, the price change for wood products was +60%. Reinforcing steel increased by almost 50%, while iron and steel increased by almost 40%. Concrete products grew by 13% over the corresponding period (BYGGFÖRETAGEN, 2022).</p> <p>November 2022 The Multi-Dwelling Construction Cost Index increased 1.3% in October 2022 compared with September 2022. The annual rate of change in the Construction Cost Index was 15.3% in October compared with the corresponding month in 2021, up from 14.6% in September (Statistics Sweden).</p> |
| | <p>Measures adopted by the utilities</p> | <p>September 2022</p> |

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| | <p>^{er}The government has proposed to abolish the energy tax rebate for data centers, in order to encourage them to have a more regulated and responsible consumption of electricity (effective January 1, 2023)(Treasury, September 2022).</p> <p>October 2022</p> <p>On March 21, 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 gasoline will be temporarily reduced, from June to October 2022, to the lowest level allowed by European regulations (0.17 € per liter). The total cost of this measure is estimated at €360 million. A compensatory payment of between €96 and €144 has also been approved for private 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 €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 untargeted measures: A simpler travel allowance system, replacing the current system with a tax cut based entirely on distance from home to work (without regard to means or travel costs), a frozen greenhouse gas reduction mandate for diesel and gasoline for next year until 2022 levels, and paused GDP indexation of diesel and gasoline prices in 2023. In response to Russia's suspension of gas exports, Sweden has announced that it will provide 23.4 billion euros to struggling Nordic and Baltic utilities in the form of credit guarantees. The guarantees will be provided by the Swedish National Debt Office and will be directed mainly to Swedish companies (Bruegel).</p> |
| Positioning of the Federation | The Swedish Construction Federation shared an open letter to its members' customers to request an agreement for additional time and cost control due to inflation and shortages (BYGGFÖRETAGEN, 2022). |

| | Norway | |
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| Economic conditions | General | Construction |
| | September 2022 | September 2022 The strong performance of the economy in 2021 and the lifting of some of the covid-19 related controls, had a positive |

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| | <p>Economic growth is expected to reach 3.5% by the end of 2022, and to slow down for the period 2023, with a prediction of 1.7% (OECD, June 2022).</p> <p>November 2022 Annual GDP growth in the third quarter of 2022 was 0.8%, while annual inflation was 7.5% (Statistics Norway).</p> <p>December 2022 Annual GDP growth in the third quarter of 2022 was 0%, while annual inflation was 6.5% (Statistics Norway).</p> | <p>effect on total construction activity. Output has increased again after a slight decline in 2020. There is, however, a labor shortage in the construction sector, as covid-19 has made it more difficult to immigrate part-time labor.</p> <p>Construction output decreased by only 0.9% in 2020. Including civil engineering, total construction output is estimated to have increased by 6.5% in 2021. The forecast for 2022 is less optimistic. They indicate a decline in construction output of about 1.5%. While the strong growth in civil engineering could this decline in total construction output and increase it by 2.5% in 2022 (FIEC, 2022).</p> <p>October 2022 Construction output increased 0.1% between August and September 2022.</p> <ul style="list-style-type: none"> - Between the third quarter of 2021 and 2022, road construction costs increased by 14.5% ; - Over the same period, residential construction costs increased by 5.2%; - Finally, commercial construction costs increased by 15.5% (Statistics Norway). <p>November 2022 The construction output index decreased by 0.2% between September and October 2022, while it increased by 2.2% between October 2021 and October 2022 (Statistics Norway).</p> |
| Raw materials | Procurement | Prices / Costs |

& Energies

Norway does not depend on Russia or Ukraine for its energy supplies. It benefits indirectly from the situation, becoming the main supplier to Europe (+8% of exports).

November 2022

A new gas pipeline called "Baltic Pipe", linking Norway to Poland via Denmark, is in the final stages of construction and should be operating at full capacity - 10 billion m³ - from the end of October 2022 ([Bruegel](#)).

September 2022

The cost of gas and oil increased by 77% between August 2021 and August 2022 ([Statistics Norway, 2022](#)).

For consumers, a +6.8% change in the consumer price index was observed for housing, water, electricity, gas and other fuels, between August 2021 and August 2022 ([Statistics Norway, 2022](#)).

Figure 2. Producer Price Index, 2015=100



October 2022

In 2020, the total electricity cost for a consumer was 84.4 ore / kWh (8.26 euros / kWh). While in 2022, this will be 137.1 ore / kWh (13.42 euros / kWh)([Statistics Norway](#)).

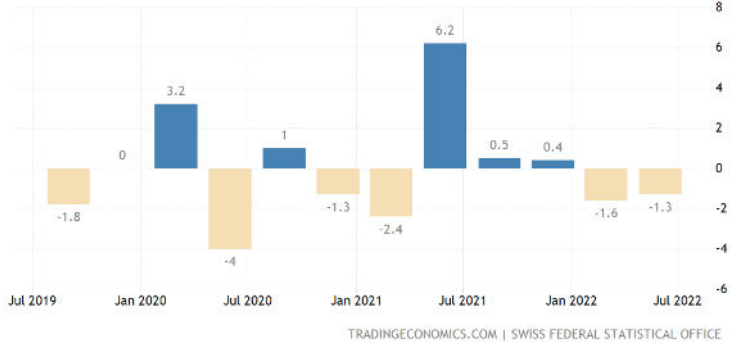
November 2022

Road construction costs, compared to the same quarter of the previous year, increased by 14.5% ([Statistics Norway](#)).

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| | | <p>Between Q3 2021 and Q3 2022, the cost of electricity increased by 116.1% (Statistics Norway).</p> <p>December 2022 The “housing, water, electricity, gas and other fuels” index price has increased by 4,9% (Statistics Norway). Construction costs increased by 5,5% between November 2021 and 2022, for residential building (Statistics Norway).</p> <p>Electricity prices have increased by 116% between the third quarter of 2021 and 2022 (Statistics Norway).</p> |
| <p>Measures adopted by the utilities</p> | <p>September 2022</p> <ul style="list-style-type: none"> • The Norwegian government is reluctant to cap gas prices in particular, since it benefits from the price surge. • The government had introduced a temporary scheme to help Norwegians cope with their electricity bills this winter, as energy prices recently hit new records. The scheme will provide assistance to households to cope with the extraordinary electricity prices through a deduction from their bills. Households will be eligible for assistance for monthly electricity consumption of up to 5000 kilowatt hours. The scheme was in place until the end of March 2022 and was managed by the Transmission System Operators (TSOs)(Government Norway, 2021). <p>October 2022</p> <p>At the beginning of September, the government allocated nearly one billion euros more - from the revenues of the state-owned power grid company Statnett - to its program to protect consumers from rising energy bills. The measure will now cover 90 per cent of the portion of electricity bills above the price of 0.70 kroner per kilowatt hour (€0.067/KWh). The total cost of the scheme, which is to remain in place until at least March 2023, is thus €3.4 billion.</p> <p>A few weeks later, Industry Minister Jan Christian Vestre presented a scheme covering companies whose electricity costs exceed 3 percent 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 (Bruegel).</p> <p>November 2022</p> <p>As of Nov. 24, 2022, businesses that spend more than three percent of their revenue on electricity can apply for funding. Businesses have until December 11 to apply. This assistance consists of:</p> | |

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| | <ol style="list-style-type: none"> 1. 25% support for electricity prices above 70 øre/kWh. The support requires the company to perform an energy mapping. 2. An additional 20% support for electricity prices above 70/kWh if the company also commits to implement energy efficiency measures within two years (BNL). |
| Positioning of the Federation | On March 24, 2022, the BNL allowed two CEOs of member companies (wood industry) to present their challenges and demands to the Norwegian Minister of Trade and Industry. They were able to reiterate the need for a 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 (BNL, 2022). |

| | Switzerland | |
|----------------------------|--|--|
| Business conditions | General | Construction |
| | <p>September 2022 GDP is expected to grow by 2.5% in 2022 and 1.3% in 2023. The slowdown in demand due to the war in Ukraine will dampen export and investment growth. Consumption will be supported by the continued improvement in the labor market situation and a decline in the high savings rate. Rising prices for energy and goods affected by supply bottlenecks will weigh on growth and raise headline inflation to 2.5 percent in 2022, before falling back to 1.8 percent in 2023 (OECD, June 2022).</p> <p>October 2022 Annual GDP growth was 2.2% between October 2021 and 2022, while annual inflation was 3.1% (IMF).</p> <p>November 2022</p> | <p>September 2022 For the period from fall 2022 to summer 2023, sales in the core construction sector were 5% in nominal terms compared to 2021. The growth rate is skewed upward as construction material prices artificially increase sales. Real construction activity is growing more slowly.</p> <p>In the nonresidential construction sector, positive momentum can be expected over the next four quarters and likely beyond. In 2022, the vacancy rate has fallen to a six-year low, rents are rising, and housing permit applications were up 8 percent in the first half of this year compared to the same period last year.</p> <p>Building permit applications indicate that construction activity in Eastern and Central Switzerland is expected to grow strongly in the medium term. The large cantons of Berne, Aargau, Zurich and</p> |

| | <p>Inflation in Switzerland remained stable in November at an annual rate of 3%, the Federal Statistical Office announced. The stability of the index compared to the previous month "is the result of opposite trends which have on the whole offset each other", explains the office, noting that housing rents but also gas and fuel prices have increased (Le Figaro).</p> <p>In its latest Economic Outlook, the OECD has lowered its growth forecast for Switzerland to 2.1% of GDP in 2022 (from 2.5%) and 0.6% in 2023 (from 1.3%), mainly due to the expected decline in private spending (Treasury).</p> | <p>Ticino are also showing pleasing growth (Swiss Contractors' Association, September 2022).</p> <p>October 2022 Change in construction activity, July 2019 - July 2022 (Trading Economics).</p> <p>December 2022 The construction output price index recorded a rise of 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 increased by 8.3% (FSO).</p>  <table border="1"> <caption>Change in construction activity (July 2019 - July 2022)</caption> <thead> <tr> <th>Date</th> <th>Change</th> </tr> </thead> <tbody> <tr> <td>Jul 2019</td> <td>-1.8</td> </tr> <tr> <td>Jan 2020</td> <td>0</td> </tr> <tr> <td>Jul 2020</td> <td>-4</td> </tr> <tr> <td>Jan 2021</td> <td>-1.3</td> </tr> <tr> <td>Jul 2021</td> <td>6.2</td> </tr> <tr> <td>Jan 2022</td> <td>0.5</td> </tr> <tr> <td>Jul 2022</td> <td>-1.3</td> </tr> </tbody> </table> <p>TRADINGECONOMICS.COM SWISS FEDERAL STATISTICAL OFFICE</p> | Date | Change | Jul 2019 | -1.8 | Jan 2020 | 0 | Jul 2020 | -4 | Jan 2021 | -1.3 | Jul 2021 | 6.2 | Jan 2022 | 0.5 | Jul 2022 | -1.3 |
|--|--|---|------|--------|----------|------|----------|---|----------|----|----------|------|----------|-----|----------|-----|----------|------|
| Date | Change | | | | | | | | | | | | | | | | | |
| Jul 2019 | -1.8 | | | | | | | | | | | | | | | | | |
| Jan 2020 | 0 | | | | | | | | | | | | | | | | | |
| Jul 2020 | -4 | | | | | | | | | | | | | | | | | |
| Jan 2021 | -1.3 | | | | | | | | | | | | | | | | | |
| Jul 2021 | 6.2 | | | | | | | | | | | | | | | | | |
| Jan 2022 | 0.5 | | | | | | | | | | | | | | | | | |
| Jul 2022 | -1.3 | | | | | | | | | | | | | | | | | |
| <p>Raw materials & Energies</p> | <p>Procurement</p> <p>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 Gerlafingen steel plant, the country's largest steel producer, has already declared short-time working. A rise in steel prices</p> | <p>Prices / Costs</p> <p>September 2022 The price of electricity in Switzerland (regulated) increased by 37.5% between August 2021 and 2022. The price of gas has increased from 75€ per MWH to 200€ MWH between August 2021 and 2022 (Swiss Society of Contractors).</p> | | | | | | | | | | | | | | | | |

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| | <p>in Switzerland is therefore possible in the coming months. A reduction in production and thus in the availability of steel is also possible (Swiss Contractors' Association).</p> | <p>October 2022</p> <p>Electricity costs</p> <ul style="list-style-type: none"> • 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%). • On the other hand, in the free market, the cost of electricity will increase by a factor of 10 to 20. • This corresponds to an increase in the cost of electricity of 375% to 785%. According to the press, companies have been able to negotiate more moderate price increases in some cases. <p>Gas costs</p> <ul style="list-style-type: none"> • 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 about 75 euros per MWh. By the end of August, the price had passed the 300 euros mark. Since then, it has fallen again to around 200 euros (Swiss Society of Contractors). |
| <p>Measures adopted by the utilities</p> | <p>This winter, Switzerland could be faced with 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 passed three motions to increase the security of electricity supply:</u></p> <ul style="list-style-type: none"> ⇒ Support massively the construction of installations allowing the transformation and storage of solar energy in the form of synthetic gas; ⇒ Encourage the widespread development of smart grids; ⇒ Give small players the opportunity to participate in the control energy market (Swiss Info, September 2022). | <p>November 2022</p> <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, enabling them to prepare</p> |

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| | themselves. An electricity shortage would entail enormous economic costs. Measures such as quotas or load shedding should therefore be avoided at all costs (<u>Swiss Economy</u>). |
| Positioning of the Federation | |

| European Commission | |
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| Restrictive measures against Russia (Related to the invasion of Ukraine) | <p>IN BRIEF</p> <p>Main sanctions taken by the EU against Russia since February 2022 :</p> <ul style="list-style-type: none"> • Embargo on most Russian oil • Embargo on Russian coal • Exclusion of several Russian banks from the Swift banking system • Freezing of the Russian Central Bank's assets outside Russia • Closure of European airspace to Russian aviation • Closure of EU ports to Russian ships • Closure of the Union's roads to Russian carriers • Ban on the sale of aircraft and equipment to Russian airlines • Embargo on Russian gold • Russia Today and Sputnik banned from broadcasting in the EU • Freezing of assets of Vladimir Putin and Russian oligarchs |
| | <p>MORE DETAILS</p> <ul style="list-style-type: none"> • <u>First Package (February 23)</u>: Sanctions targeting the ability of the Russian state and government to access EU financial and capital markets and services. • <u>Second package (February 25)</u>: Financial sector sanctions on Russia's access to the most important capital markets, targeting 70% of the Russian banking market, but also key public companies. |

- Third package (March 2): Exclusion of the main Russian banks from the SWIFT system.
- Fourth package (March 15): 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 on new investments in the Russian energy sector, with the exception of nuclear energy and the transportation of energy products
- Fifth package (April 8): The EU decided to ban the import of any kind of Russian coal or coal exported from Russia, which the European Commission estimates represents a loss of revenue of about €8 billion per year for Russia. This measure took effect in August 2022.

The member states also agreed on additional financial measures. They include a total ban on transactions and an asset freeze for four Russian banks - Otkritie, Novikombank, Sovkombank and VTB - which are now completely cut off from the markets after being disconnected from Swift.

The European Union has also decided to ban the import of additional products from Russia worth 5.5 billion euros per year. This includes cement, rubber products and wood.

In addition, financial and non-financial support to Russian state-owned or controlled entities under EU, Euratom, and Member State programs will be restricted. The Commission will terminate participation in and suspend all ongoing grant agreements with Russian state-owned 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 programs.

- Sixth package (June 3): The EU decides to ban imports of crude oil and refined petroleum products from Russia, with some exceptions; exclusion from the SWIFT system with respect to three more Russian banks and one Belarusian bank; suspension of broadcasting activities in the EU of three more Russian state-owned media.

The EU also adopted sanctions against 65 additional individuals and 18 entities. These include individuals responsible for the atrocities committed in Butcha and Mariupol.

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| | <ul style="list-style-type: none"> • <u>Seventh package (July 25)</u>: A new ban on the purchase, import or transfer of gold of Russian origin, including jewelry; 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 Sberbank, a major financial institution. • <u>Eighth package (Sept. 29)</u>: A new import ban on Russian products from the aeronautical and chemical sectors; No Europeans will be allowed to sit on the boards of Russian companies under threat of sanctions; Agreement to cap Russian oil prices (Euractiv). • <u>Nineth package (December 7)</u>: <p>First, the Commission proposes to add nearly 200 individuals and entities to our sanctions list. It includes the Russian armed forces, as well as military officers, defense industry companies, members of the State Duma and Federation Council, ministers, governors, and political parties, among others. This 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.</p> <p>Second, the Commission proposes to introduce sanctions against three new Russian banks, including a total ban on transactions against the Russian Regional Development Bank to further cripple Putin's financial machine.</p> <p>Third, the Commission also want to impose new export controls and restrictions, particularly 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, that might supply drones to Russia (The European Commission).</p> |
| <p>Aid to European countries affected by the crisis in Ukraine</p> | <p>On March 23, the European Commission adopted a temporary crisis framework to allow Member States to use the flexibility provided by the state aid rules to support the economy in the context of the Russian invasion of Ukraine.</p> <p>Three types of aid are provided:</p> |

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| | <p>1) Limited amount of aid - The total amount of aid shall not exceed EUR 400 000 per enterprise at any time. Aid may be provided in the form of direct grants, tax and payment benefits or other forms such as repayable advances, guarantees, loans and equity.</p> <p>2) Liquidity support in the form of public guarantees and subsidized loans - The total amount of the loans per beneficiary for which a guarantee is granted if it does not exceed 15% of the average annual global turnover of the company (last 3 financial years); if it does not exceed 50% of the energy costs of the last 12 months; on appropriate justification that the Member State will provide to the Commission for its assessment.</p> <p>3) Aid to compensate for high energy prices.</p> <p>The temporary crisis framework will be in place until 31 December 2022, with a possible extension (European Commission, March 2022).</p> |
| <p>Energy supply</p> | <p>March 2022</p> <p>The Commission presented on March 23 ideas for collective action to be taken at the European level to address 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"> • A legislative proposal introducing an obligation that sets the minimum level of gas storage for the next winter at 80% to ensure security of energy supply, which will be increased to 90% in subsequent years. • A paper outlining the options for market intervention at the European and national levels, and assessing the advantages and disadvantages of each option. <p>Partnerships with third countries to collectively purchase gas and hydrogen have also been considered by the Commission, which is ready to create a <i>task force</i> on joint gas purchases at EU level. By pooling demand, the <i>task force</i> would facilitate and strengthen the EU's international outreach to suppliers to secure cheap imports for the coming winter.</p> <p>September 2022</p> <p>The Commission has presented 9 measures to fight against the rise in energy prices. Among these measures:</p> <ul style="list-style-type: none"> • Capping the revenues of nuclear and renewable energy producers: Wind, solar, biomass, hydroelectric... sell their electricity at a price above 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 therefore proposes to capture the revenues of these companies to redistribute the income to vulnerable households and businesses; • 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 in late September 2022, with 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 on the gas markets. This 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 02 December on the threshold beyond which purchases of Russian oil transported by sea will be impossible. It is set at 60 dollars a barrel, slightly below 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 black gold cargoes once this purchase price is exceeded. And as 90% of Russian oil transported by sea is insured by groups based in the G7 and EU countries, this price cap should also be imposed at the global level, particularly on China and India ([Le Figaro](#)).

December 2022

On December 9, 2022, the Commission, together with industry players, research institutes, associations, and other stakeholders, launched the European Solar Photovoltaic Industry Alliance.

The alliance will help mitigate supply risks by ensuring diversification of supply through more diversified imports and larger scale manufacturing of innovative and sustainable solar PV panels in the EU. In a joint statement, the Commission and the alliance signatories identified immediate priorities for 2023.

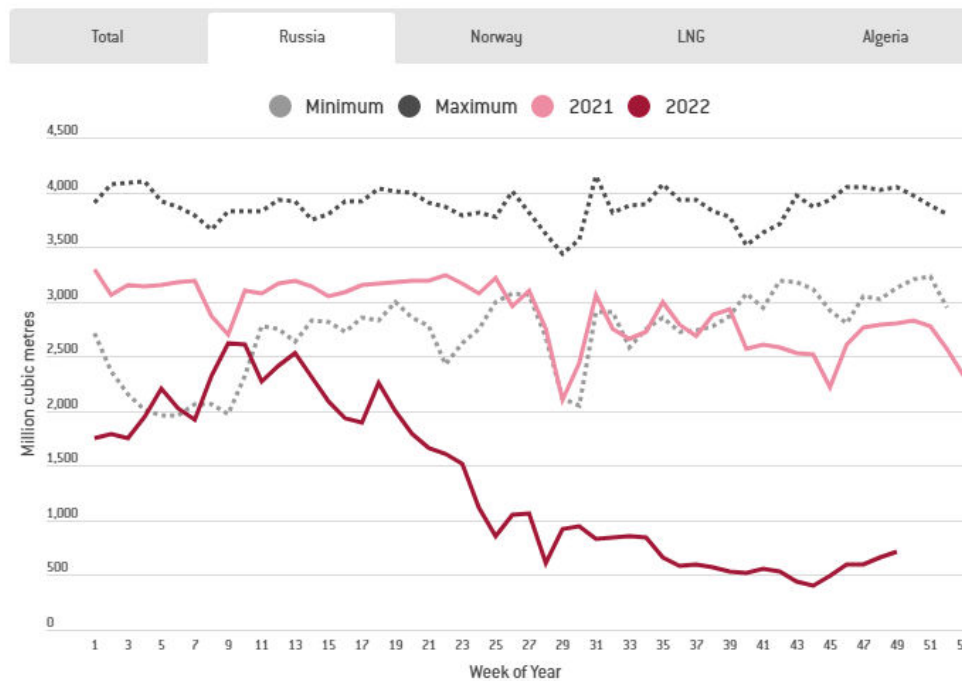
It will focus its efforts on the following:

- securing investment opportunities in European solar PV;
- promoting a favorable environment for the European solar PV sector;
- diversifying supply and strengthening the resilience of the supply chain.

The new alliance has endorsed the goal of achieving 30 GW of European generation capacity by 2025, across the entire value chain. Achieving this goal would generate new GDP of €60 billion per year in Europe and create more than 400,000 new jobs ([European Commission](#)).

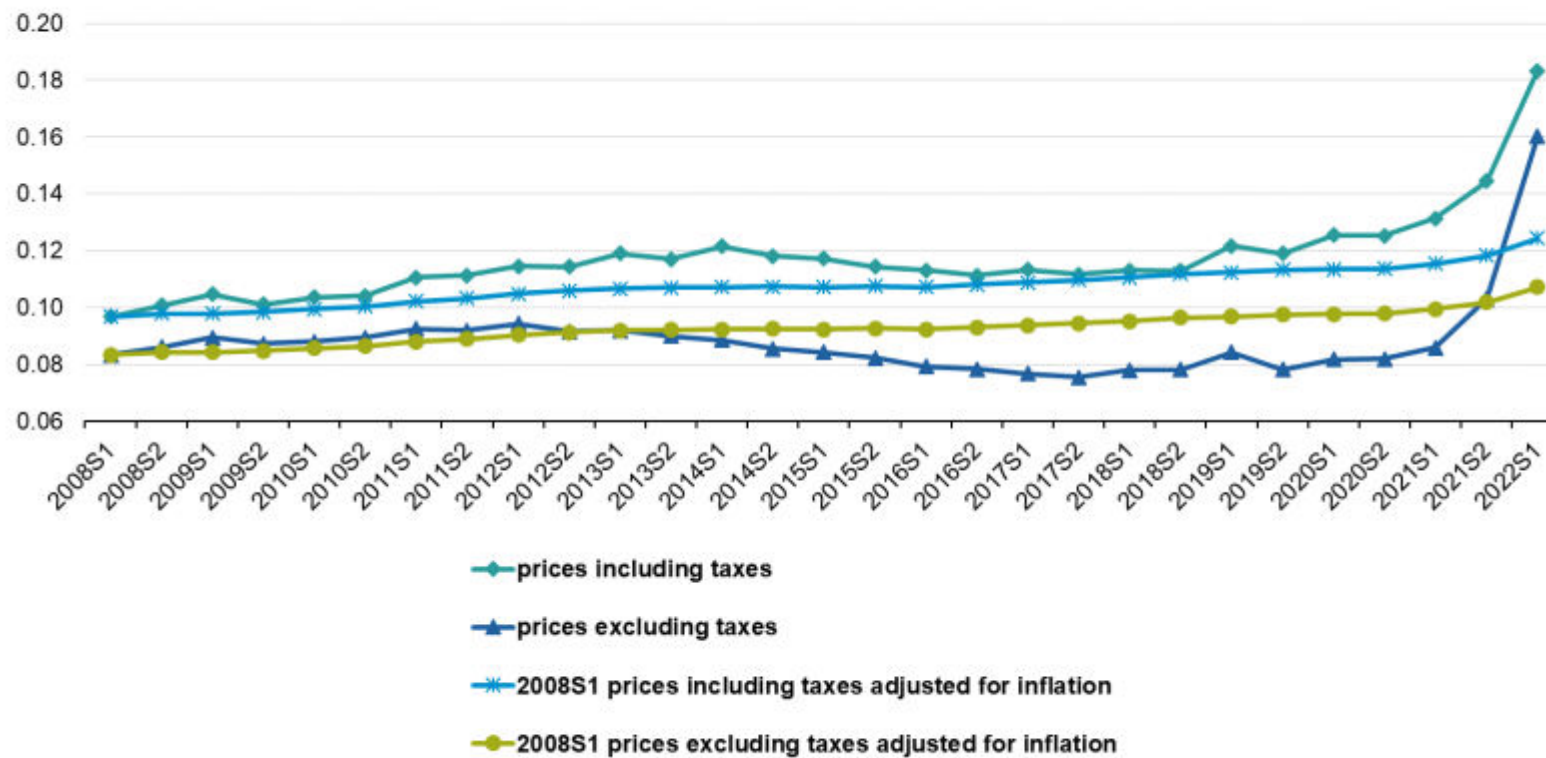
More information available on the Commission's actions to address the energy crisis in Europe: [EU action to address the energy crisis \(europa.eu\)](#).

Gas Imports from Russia (Europe 27 + UK), as of December 2022 ([Bruegel](#)):



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| | <p>European energy ministers agreed on Monday 19 December to ban gas purchases above 180 euros per megawatt hour. This consensus was reached after several weeks of negotiations, and it will spare those countries that are reluctant to intervene on the markets (Toute l'Europe).</p> |
| <p>Legislation</p> | <p>Proposed revision of the state support 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 authorized 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". Thus, an industrialist will be able to receive up to 2 million euros per year, or even up to 50 million for certain energy-intensive companies. Heating and cooling bills are also now considered in the calculation of the additional cost of energy supply for companies. In addition, a chapter has been added to authorize aid to encourage the reduction of electricity consumption (<u>Context</u>).</p> <p>Formal adoption of the regulation on super-profits and electricity demand reduction - The written validation procedure for 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 favor, except for the Slovak and Polish delegations, which voted against," says the note from the Council Secretariat.</p> <p>December 2022 The European Commission is due to publish in the next few days a paper for consultation with the Member States on reforming the electricity market. How to bring electricity prices back 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).</p> |

Development of electricity prices for non-household consumers, EU, 2008-2022 (€ per kWh)



Source: Eurostat (online data codes: nrg_pc_205)

eurostat 

INTERNATIONAL

| | | Non-EU country | | | | | | | | | | | |
|--------------------|--|---|--|-------|--------------------|---------|------|---------|------|---------|-------|--------------------|-------|
| Economic state | General | Construction | | | | | | | | | | | |
| | <p>TURKIYE December 2022 In October 2022, the annual GDP growth was of 5,6% and the annual inflation was of 73% (IMF, 2022).</p> <p>January 2023 GDP growth lost momentum in the third quarter of 2022, falling to 3.9% year on year, from 7.7% in the second quarter.</p> <p>The moderation was driven by a contraction in fixed investment, compounded by softer private consumption and exports growth. Fixed investment fell 1.3% in Q3, marking the worst result since Q2 2020 (Q2: +5.0% yoy). In addition, household spending growth softened to 19.9% year on year in Q3 compared to a 22.5% expansion in Q2, as record-high inflation took a toll on consumers' pockets. Meanwhile, government spending improved to 8.5% in Q3.</p> <p>On the external front, exports of goods and services growth fell to 12.6% in Q3, the lowest since Q1 2021 (Q2: +16.4% yoy). Conversely, imports of goods and services growth sped up to 12.2% in Q3 (Q2: +5.8% yoy), which was the highest reading since Q2 2021 (Focus Economics, 2022).</p> | <p>TURKIYE The Turkish construction industry is expected to decline by 8.1% in 2022, following a weak first half of the year, in which output contracted by 9.8% compared to the first half of 2021. The decline has been driven by the impact of the ongoing currency crisis and soaring inflation on the Turkish economy, which is highly sensitive to changes in the value of the lira due to Turkey's large current account deficit.</p> <p>According to the Turkish Statistical Institute, total construction costs rose by 106.4% year on year (YoY) in the second quarter of 2022, driven primarily by rising materials costs, which increased by 131.6%. This will weigh heavily on new investment, as well as on the progress of ongoing construction projects over the remaining part of 2022 and into 2023 (GlobalData, 2022).</p> <p>January 2023 Total turnover index (2015=100) including industry, construction, trade, and services sectors increased by 124.8% on annual basis in October 2022 (TUIK).</p> | <p>Total turnover annual rate of change (%), October 2022</p> <table border="1"> <caption>Total turnover annual rate of change (%)</caption> <thead> <tr> <th>Month</th> <th>Rate of Change (%)</th> </tr> </thead> <tbody> <tr> <td>10/2020</td> <td>32.2</td> </tr> <tr> <td>10/2021</td> <td>48.2</td> </tr> <tr> <td>10/2022</td> <td>124.8</td> </tr> <tr> <td>10/2022 (Previous)</td> <td>134.5</td> </tr> </tbody> </table> | Month | Rate of Change (%) | 10/2020 | 32.2 | 10/2021 | 48.2 | 10/2022 | 124.8 | 10/2022 (Previous) | 134.5 |
| Month | Rate of Change (%) | | | | | | | | | | | | |
| 10/2020 | 32.2 | | | | | | | | | | | | |
| 10/2021 | 48.2 | | | | | | | | | | | | |
| 10/2022 | 124.8 | | | | | | | | | | | | |
| 10/2022 (Previous) | 134.5 | | | | | | | | | | | | |

| Raw materials & Energy | Sourcing | Costs |
|-----------------------------|---|-------|
| Public Authorities measures | <p>TURKIYE December 2022 To mitigate the global price increase, the government has reduced the value-added tax on electricity used in residences and in agriculture, and has granted subsidies to 4 million households (OECD, 2022).</p> <p>January 2023 The Central Bank of Turkey left its interest rate unchanged at 9% in December, as expected, saying the current policy rate is adequate. The central bank expects the disinflationary process to start on the back of the measures taken. The annual inflation rate in Turkey slowed for the first time in 18 months to 84.4% in November, from 85.5% in October. Looking at growth, the bank said leading indicators for the current quarter point to a slowdown in growth due to the weakening of foreign demand (Trading Economics, 2022).</p> | |

TURKIYE
 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 ([OECD, 2022](#)).

TURKIYE
 Household natural gas prices have been hiked 174% this year, small- to medium-scale industrial gas prices were raised 277% and large industrial prices by 379%.
 Just in September 2022, Turkish authorities raised electricity and natural gas prices for households by around 20% and by around 50% for industry ([Reuters, 2022](#)).

Turkish producer prices evolution (January 2022 – October 2022)([Trading Economics, 2022](#)).

| Month | Price Index |
|----------|-------------|
| Jan 2022 | 1022.25 |
| Feb 2022 | 1129.03 |
| Mar 2022 | 1210.6 |
| Apr 2022 | 1321.9 |
| May 2022 | 1423.27 |
| Jun 2022 | 1548.01 |
| Jul 2022 | 1652.75 |
| Aug 2022 | 1738.21 |
| Sep 2022 | 1780.05 |
| Oct 2022 | 1865.09 |

| North America (Canada, USA, Mexico) | | |
|-------------------------------------|--|---|
| Economic state | General | Construction |
| | <p>CANADA December 2022 Gross domestic product (GDP) rose by 0.8% in the second quarter of 2022, driven by increased business investment in inventories, non-residential structures, machinery and equipment, and household spending on services and semi-durable goods. This was the fourth consecutive quarterly increase in GDP, since 2021 (Statistics Canada, September 2022).</p> <p>Canada's annual inflation rate slowed to 6.9% in September 2022 much below the peak of 8.1% hit in June but slightly above market estimates of 6.8%. Consumer prices continued to slow for transportation (8.7% vs 10.3% in August 2022), largely due to a sustained slowdown for gasoline prices (13.2% vs 22.1%) (Trading Economics, 2022).</p> <p>January 2023 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 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 (Statistics Canada, 2022).</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</p> | <p>CANADA December 2022 In 2021, the construction activity contracted by 15.1% (Statistics Canada, 2022).</p> <p>In 2022 third quarter, residential building construction costs increased by 2.5% and non-residential building construction costs rose by 2.1%. The growth was slower than the second quarter, where residential construction costs grew by 5.3% and non-residential costs were up 4.0%. Contractors attribute part of the growth in building construction costs to skilled labor shortages and high labor costs. Additionally, higher material costs, amid a limited availability of materials and equipment, particularly concrete, steel, glass, and piping, contributed to higher costs. Contractors also noted that fuel prices continue to add upward pressure on construction costs (Statistics Canada, October 2022).</p> <p>Investment in building construction increased by 0.4% to \$21.1 billion in August 2022. The residential sector rose by 0.5% to \$15.7 billion, while the non-residential sector declined 0.2% to \$5.3 billion (Statistics Canada, October 2022).</p> <p>January 2023 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 changes to modernize Canada's immigration policy and update the Temporary</p> |

| | | |
|--|--|--|
| | <p>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% (Statistics Canada, 2022).</p> <p>UNITED STATES December 2022 USA's GDP rose by 1,6% between October 2021 and October 2022, supported by private consumption that increased by 3,1%. While the annual inflation reached 8,1% in October 2022 (highest since 1985)(IMF Country Data, 2022).</p> <p>January 2023 In 2023, the GDP is projected to grow by 1% while the annual average inflation is supposed to be around 3.5% (IMF, 2022).</p> <p>MEXICO December 2022 Mexico's GDP has increased by 4.3% in the third quarter of 2022 compared to the third quarter of 2021 (INEGI Statistics Mexico, 2022).</p> <p>Annual inflation rate was of 8,4% in October 2022. Inflation has been increasing since April 2020 in Mexico, with a slight slow in January 2022. Since then, inflation has only been increasing, until reaching a point of 8.7% in September 2022 (INEGI Statistics Mexico, 2022).</p> <p>January 2023 In November 2022, inflation rate slowed to 7,8%, while GDP</p> | <p>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 (CCA, 2022).</p> <p>UNITED STATES Total construction activity for September 2022 (\$1,811.1 billion) was 0.2% above August 2022's activity (\$1,807.0 billion).</p> <p>New residential construction activity has decreased by 8% between September 2021 and September 2022 (Bureau of Economic Indicators USA, 2022).</p> <p>January 2023 Total construction activity for October 2022 (\$1,794.9 billion) was 0.3% below the revised September 2022 (\$1,800.1 billion)(Bureau of Economic Indicators USA, 2022).</p> |
|--|--|--|

| | | |
|--|---|---|
| | <p>growth was of 1,2% (INEGI Statistics Mexico & IMF).</p> | <p>Privately-owned housing starts in November 2022 were at a seasonally adjusted annual rate of 1,427,000. This is 0.5% below the revised October 2022 estimate of 1,434,000.</p> <p>MEXICO 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)(INEGI Statistics, 2022).</p> |
| <p>Raw materials & Energy</p> | <p>Sourcing</p> | <p>Costs</p> |
| | <p>CANADA 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%)(IAE, 2022 Canada Report).</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>UNITED STATES</p> | <p>CANADA December 2022 Electricity prices increased by 12.1% between September 2021 and September 2022 (Statistics Canada, October 2022).</p> <p>Canada's Raw Materials Price Index declined by 3.2% over the previous month in September 2022, following a revised 4.3% decrease in August. Prices for crude energy products fell by 3.6%, a third consecutive monthly decline, while those for metal ores, concentrates & scrap dropped by 2.9% (Trading Economics, 2022).</p> <p>January 2023 Electricity prices in Ontario rose at a slower year-over-year pace in November (+0.6%) compared with October (+3.7%), following a decrease in time-of-use rates, which was partially offset by a reduction in the Ontario electricity rebate (Statistics Canada, 2022).</p> <p>On a monthly basis, gasoline prices fell 3.6% in November following a 9.2% increase in October, largely driven by price</p> |

December 2022
Trade relations are limited with Ukraine and Russia. Only 3% of crude oil imports are from Russia. Moreover, USA is a net exporter of natural gas. Since February 2022, USA has increased its supply towards Europe (both in natural gas and wheat).

However, the supply disruptions of semiconductors and transport equipment produced in Ukraine and Russia, combined with China’s lockdowns are expected to impact USA’s production as of ending 2022, early 2023 ([OECD, 2022](#)).

January 2023

The [Energy Information Agency](#) made some forecasts for 2023:

- 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.
- 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.

MEXICO

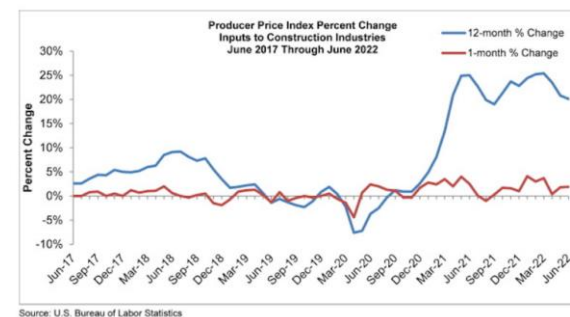
Trade and economic ties are weak with Ukraine and Russia. However, the country could be impacted through its importations from the USA. As the United States have increased their exports towards Europe, the supplies towards Mexico are fewer and more expensive ([OECD, 2022](#)).

declines in Western Canada. The reopening of refineries in the western United States contributed to lower prices in British Columbia, Alberta, Saskatchewan and Manitoba ([Statistics Canada, 2022](#)).

UNITED STATES

December 2022

The Associated General Contractors of America report says construction input prices were up 1.1% in June from May 2022 and rose by 16.8% from June 2021 ([ENR, 2022](#)).

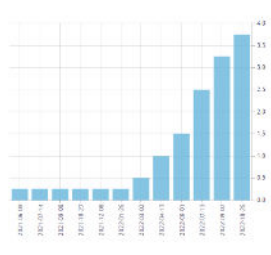


January 2023

Forbes made some projections for the year 2023, regarding the state of the USA energy sector, among them:

- The expansion of the renewable energy industry (fueled by the Inflation Act and the Bipartisan Infrastructure Law);
- The oil prices will hit \$100 again;
- The average U.S. price for a gallon of regular gas at the pump will hit \$5 again ([FORBES, 2023](#)).

Moreover, the [Energy Information Agency](#), published early December its results of 2022 and its forecasts for 2023:

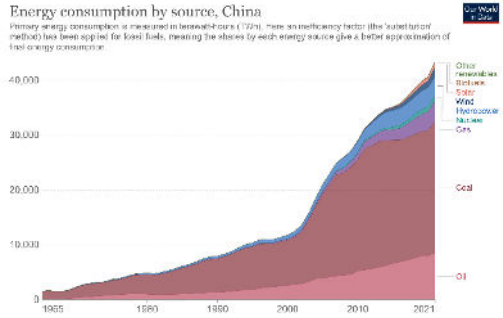
| | | <p>Short-Term Energy Outlook December 2022</p> <p>Overview</p> <table border="1"> <thead> <tr> <th>U.S. energy market indicators</th> <th>2021</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Brent crude oil spot price (dollars per barrel)</td> <td>\$70.89</td> <td>\$101.48</td> <td>\$92.36</td> </tr> <tr> <td>Retail gasoline price (dollars per gallon)</td> <td>\$3.02</td> <td>\$3.99</td> <td>\$3.51</td> </tr> <tr> <td>U.S. crude oil production (million barrels per day)</td> <td>11.25</td> <td>11.87</td> <td>12.34</td> </tr> <tr> <td>Natural gas price at Henry Hub (dollars per million British thermal units)</td> <td>\$3.91</td> <td>\$6.48</td> <td>\$5.43</td> </tr> <tr> <td>U.S. liquefied natural gas gross exports (billion cubic feet per day)</td> <td>9.8</td> <td>10.6</td> <td>12.3</td> </tr> <tr> <td colspan="4">Shares of U.S. electricity generation</td> </tr> <tr> <td>Natural gas</td> <td>37%</td> <td>39%</td> <td>37%</td> </tr> <tr> <td>Coal</td> <td>23%</td> <td>20%</td> <td>19%</td> </tr> <tr> <td>Renewables</td> <td>20%</td> <td>22%</td> <td>24%</td> </tr> <tr> <td>Nuclear</td> <td>20%</td> <td>19%</td> <td>20%</td> </tr> <tr> <td>U.S. GDP (percentage change)</td> <td>5.9%</td> <td>1.8%</td> <td>0.1%</td> </tr> <tr> <td>U.S. CO₂ emissions (billion metric tons)</td> <td>4.90</td> <td>4.98</td> <td>4.85</td> </tr> </tbody> </table> <p><small>Data source: U.S. Energy Information Administration, Short-Term Energy Outlook, December 2022</small></p> <p>MEXICO</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 (Reforma, 2022).</p> | U.S. energy market indicators | 2021 | 2022 | 2023 | Brent crude oil spot price (dollars per barrel) | \$70.89 | \$101.48 | \$92.36 | Retail gasoline price (dollars per gallon) | \$3.02 | \$3.99 | \$3.51 | U.S. crude oil production (million barrels per day) | 11.25 | 11.87 | 12.34 | Natural gas price at Henry Hub (dollars per million British thermal units) | \$3.91 | \$6.48 | \$5.43 | U.S. liquefied natural gas gross exports (billion cubic feet per day) | 9.8 | 10.6 | 12.3 | Shares of U.S. electricity generation | | | | Natural gas | 37% | 39% | 37% | Coal | 23% | 20% | 19% | Renewables | 20% | 22% | 24% | Nuclear | 20% | 19% | 20% | U.S. GDP (percentage change) | 5.9% | 1.8% | 0.1% | U.S. CO ₂ emissions (billion metric tons) | 4.90 | 4.98 | 4.85 |
|--|--|---|-------------------------------|------------|------------|------------------|---|---------|-------------------|---------|--|---------------|--------|--------|---|-------|-------|----------------|--|--------|---------------|--------|---|------------------|------|------|--|------|-----|------------------|-------------|-----|-------------------|------|------|---------------|------|-----|--------------|------|-----|-----|---------|-----|-----|-----|------------------------------|------|------|------|--|------|------|------|
| U.S. energy market indicators | 2021 | 2022 | 2023 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Brent crude oil spot price (dollars per barrel) | \$70.89 | \$101.48 | \$92.36 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Retail gasoline price (dollars per gallon) | \$3.02 | \$3.99 | \$3.51 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| U.S. crude oil production (million barrels per day) | 11.25 | 11.87 | 12.34 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Natural gas price at Henry Hub (dollars per million British thermal units) | \$3.91 | \$6.48 | \$5.43 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| U.S. liquefied natural gas gross exports (billion cubic feet per day) | 9.8 | 10.6 | 12.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Shares of U.S. electricity generation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Natural gas | 37% | 39% | 37% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Coal | 23% | 20% | 19% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Renewables | 20% | 22% | 24% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Nuclear | 20% | 19% | 20% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| U.S. GDP (percentage change) | 5.9% | 1.8% | 0.1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| U.S. CO ₂ emissions (billion metric tons) | 4.90 | 4.98 | 4.85 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Public Authorities measures</p> | <p>CANADA December 2022 <i>Bank of Canada – Policy interest rate</i></p> <p>In Canada, the economy continues to operate in excess demand and labour markets remain tight. The demand for goods and services is still running ahead of the economy's ability to supply them, putting upward pressure on domestic inflation. Hence the Bank's strategy of increasing the interest's rate (Bank of Canada, 2022).</p> |  <table border="1"> <thead> <tr> <th>Date*</th> <th>Target (%)</th> <th>Change (%)</th> </tr> </thead> <tbody> <tr> <td>October 26, 2022</td> <td>3.75</td> <td>+0.50</td> </tr> <tr> <td>September 7, 2022</td> <td>3.25</td> <td>+0.75</td> </tr> <tr> <td>July 13, 2022</td> <td>2.50</td> <td>+1.00</td> </tr> <tr> <td>June 1, 2022</td> <td>1.50</td> <td>+0.50</td> </tr> <tr> <td>April 13, 2022</td> <td>1.00</td> <td>+0.50</td> </tr> <tr> <td>March 2, 2022</td> <td>0.50</td> <td>+0.25</td> </tr> <tr> <td>January 26, 2022</td> <td>0.25</td> <td>---</td> </tr> <tr> <td>December 8, 2021</td> <td>0.25</td> <td>---</td> </tr> <tr> <td>October 27, 2021</td> <td>0.25</td> <td>---</td> </tr> <tr> <td>September 8, 2021</td> <td>0.25</td> <td>---</td> </tr> <tr> <td>July 14, 2021</td> <td>0.25</td> <td>---</td> </tr> <tr> <td>June 9, 2021</td> <td>0.25</td> <td>---</td> </tr> </tbody> </table> <p><small>*As of 2021, a change takes effect the day after its announcement.</small></p> | Date* | Target (%) | Change (%) | October 26, 2022 | 3.75 | +0.50 | September 7, 2022 | 3.25 | +0.75 | July 13, 2022 | 2.50 | +1.00 | June 1, 2022 | 1.50 | +0.50 | April 13, 2022 | 1.00 | +0.50 | March 2, 2022 | 0.50 | +0.25 | January 26, 2022 | 0.25 | --- | December 8, 2021 | 0.25 | --- | October 27, 2021 | 0.25 | --- | September 8, 2021 | 0.25 | --- | July 14, 2021 | 0.25 | --- | June 9, 2021 | 0.25 | --- | | | | | | | | | | | | | |
| Date* | Target (%) | Change (%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| October 26, 2022 | 3.75 | +0.50 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| September 7, 2022 | 3.25 | +0.75 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| July 13, 2022 | 2.50 | +1.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| June 1, 2022 | 1.50 | +0.50 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| April 13, 2022 | 1.00 | +0.50 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| March 2, 2022 | 0.50 | +0.25 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| January 26, 2022 | 0.25 | --- | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| December 8, 2021 | 0.25 | --- | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| October 27, 2021 | 0.25 | --- | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| September 8, 2021 | 0.25 | --- | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| July 14, 2021 | 0.25 | --- | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| June 9, 2021 | 0.25 | --- | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | <p>January 2023 <i>Bank of Canada – Policy interest rate</i> 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% (Bank of Canada, 2022).</p> <p>UNITED STATES 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 (OECD, 2022).</p> <p>MEXICO December 2022 To cope with the surge in prices, the government put in place several measures, among them: <ul style="list-style-type: none"> • Elimination of fuel taxes (can cost up to 1% of GDP); • Fuel subsidies (estimated annual cost US\$25.8 billion – approx. 1% GDP)(UNDP, 2022). On the other hand, the Central Bank has increased the interest rate, to contain the inflation. The current interest rate is now at 7%, expected to reach 9% in January 2023 (OECD, 2022).</p> <p>January 2023 The Bank of Mexico raised its interest policy rate to 10.5% in December 2022 (Banco de Mexico).</p> |
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| | Asia | |
|----------------|---|--|
| Economic state | General | Construction |
| | <p>CHINA December 2022 Economic growth will slide to 4.4% in 2022 and is expected to rebound to 4.9% in 2023. Amid mounting headwinds, growth will be supported by investment in the climate transition and</p> | <p>OVERVIEW 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.</p> |

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| | <p>the frontloading of infrastructure projects. Real estate investment will remain weak due to the continuing defaults across developers and falling price expectations. Exports will remain relatively strong as companies continue to raise their market shares. Adverse confidence effects related to continuing lockdowns coupled with inadequate social protection will weigh on consumption (OECD, 2022).</p> <p>In October 2022, the national Consumer Price Index (CPI) increased by 2.1% year-on-year. From January to October 2022, on average, the national consumer price increased by 2.0% over the same period last year (Statistics of China, 2022).</p> <p>January 2023 In November 2022, the national Consumer Price Index (CPI) increased by 1.6% year-on-year. Among them, the urban increased by 1.5% and the rural increased by 1.7%; food prices increased by 3.7%, while nonfood prices increased by 1.1%; consumer goods prices increased by 2.3% and service prices increased by 0.5%. From January to November, on average, the national consumer price increased by 2.0% over the same period last year. In November, the national consumer price decreased by 0.2% month-on-month (Statistics of China, 2022).</p> <p>INDIA December 2022 After recording the strongest GDP rebound in the G20 in 2021, the Indian economy is progressively losing momentum as inflation remains elevated due to rising global energy and food prices. Real GDP is projected to grow by 6.9% in fiscal year 2022-23 and 6.2% in 2023-24.</p> | <p>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 (GlobalData, 2022).</p> <p>CHINA A cause for further concern is the slowing of activity in the Chinese construction industry, the largest in Northeast Asia and globally, with growth slowing to just 2.1% in 2021 and headwinds mounting in the first quarter of this year (Global Data, October 2022).</p> <p>INDIA December 2022 India's construction sector is made of Real estate and urban development (water supply, healthcare, sanitation...). In 2021, it accounted for 9% of India's GDP (Invest India, 2022).</p> <p>January 2023 The market size, estimated by income, of the Commercial Building Construction industry is Rs.15771 billion (equivalent of 179 billion euros) in 2022. Construction industry in India will continue to be dynamic thanks to the increased demand from real estate, in addition to infrastructure projects. Indian Real Estate sector predictable to range a market size of Rs.70 trillion by 2030</p> |
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| | <p>While inflation will gradually decline, the current account deficit will widen due to the surge in energy import costs. Current annual inflation in India is about 6% (OECD, 2022).</p> <p>January 2023 The annual inflation was of 6,1% in 2022 (Statistics of India, 2023). The IMF has projected India's GDP growth at 6.8% for 2023 and has warned of debt sustainability risks. While it projects inflation to reach 6,9% (CNBC, 2022).</p> <p>JAPAN December 2022 Lockdown measures, weak external demand and surging prices for energy, materials, and commodities in the context of COVID-19 and the Russia-Ukraine war weighed on domestic demand early in the year. In these conditions, pent-up demand has risen, further boosted by substantial policy support. As a result, the economy will pick up from the slow start to the year, with GDP growth projected to be 1.7% in 2022, and 1.8% in 2023 (OECD, 2022). Annual inflation in Japan was of 2% in October 2022 (IMF, 2022).</p> <p>January 2023 The annual inflation was of 3.8% by the end of 2022 in Japan (Statistics of Japan).</p> <p>SOUTH KOREA December 2022 Growth will moderate to 2.7% in 2022 and 2.5% in 2023. Consumption is set to strengthen, though with a drag from high inflation. From early 2023, growth will pick up due to</p> | <p>(equivalent to 795 billion euros). Its input to the country's GDP is likely to be roughly 13% by 2025. Approximately, there are 3 sectors of construction: structures, infrastructure plus industrial (Comaron).</p> <p>JAPAN January 2023 The Japanese construction industry is forecast to grow by 3.2% in 2022, after 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 (Businesswire, 2022).</p> <p>SOUTH KOREA Construction output in South Korea increased 3,9% in September 2022, compared to the September 2021 (Trading Economics, 2022).</p> |
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| | <p>strong investment and exports, as current uncertainties are assumed to abate. Elevated household debt and housing prices, and stronger than expected interest rate increases pose downside risks to domestic demand. A potential shortage of rare gases sourced from Russia and Ukraine could weaken semiconductor exports (OECD, 2022).</p> <p>Between September and October 2022, the consumer price index increased by 0,3% (Statistics South Korea, 2022).</p> <p>January 2023 The IMF revised its growth prevision to 2% in 2023 and the annual inflation is expected to be of 3.8% (IMF). The current annual inflation in South Korea was of 5.1% in December 2022 (0,2% between November and December 2022)(Statistics of South Korea, 2022).</p> | |
| <p>Raw materials & Energy</p> | <p style="text-align: center;">Sourcing</p> <p>CHINA December 2022</p>  <p>January 2023 In November, the policy of ensuring supply and prices of energy has been vigorously promoted, and the advanced</p> | <p style="text-align: center;">Costs</p> <p>CHINA December 2022</p> <p>China’s producer price index fell in October 2022, for the first time since December 2020, dragged down by drops in iron and steel prices. The producer price index, which tracks the price of raw materials and other input costs, fell by 1.3% in October from a year ago (CNBC, October 2022).</p> <p>January 2023 In December 2022, prices for natural gas had increased by 15,5% and prices for coal by 7.4% (Statistics of China, 2022).</p> <p>INDIA December 2022</p> <p>The price index for the energy and fuel group increased by (0.13%) to 157.8 (provisional) in September 2022 from 157.6</p> |

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| | <p>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 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% (Statistics of China, 2022).</p> <p>INDIA 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 (OECD, 2022).</p> <p>JAPAN 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 (OECD, 2022).</p> <p>SOUTH KOREA 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 (OECD, 2022).</p> | <p>(provisional) for the month of August 2022. Prices of Electricity (5.16%) increased in September 2022 as compared to August 2022. Prices of Mineral Oils (-1.32%) declined in September 2022 as compared to August 2022 (Office of the Economic Advisor, 2022).</p> <p>January 2023 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 (Office of the Economic Advisor, 2022).</p> <p>SOUTH KOREA December 2022 In May 2022, energy and raw material prices remained high due to supply disruptions caused by the pandemic, which have been compounded by the ongoing war in Ukraine. South Korea relies heavily on imports for energy and key raw materials. Coal and oil-related products saw their prices rise by 2.9% (between April and May), with factory product prices growing 1.2% (The Korea Herald, 2022).</p> <p>January 2023 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 (Reuters, 2022).</p> |
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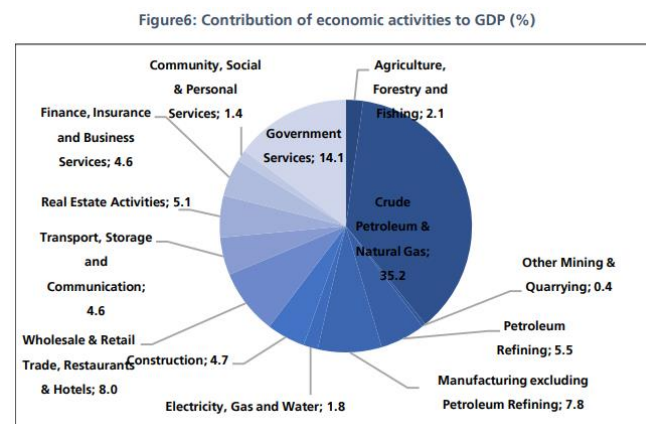
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| Public Authorities measures | <p>CHINA Supportive measures will be taken to mitigate the general price increase, among them the cut in taxes and charges (OECD, 2022).</p> |
| | <p>INDIA As the energy and food commodities account for 53% of the consumer price basket, the government put in place measures such as cutting the central excise duties on petrol and diesel, and import duties on coal (OECD, 2022).</p> |
| | <p>JAPAN 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 (OECD, 2022).</p> |
| | <p>SOUTH KOREA 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)(OECD, 2022).</p> |

| | Middle East | |
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| Economic state | General | Construction |
| | <p>SAUDI ARABIA <i>December 2022</i> In October 2022, the annual GDP growth was of 7,9% and the annual inflation was of 2,7% (IMF, 2022). In 2023, the GDP is expected to be of 6% (OECD, 2022).</p> <p>"Russia's war in Ukraine, combined with inflation at home, have contributed to a steep rise in energy prices, thus renewing attention on Saudi Arabia as one of the world's top oil producers, and the only one to have a significant capacity</p> | <p>SAUDI ARABIA <i>December 2022</i> 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 (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</p> |

to increase production quickly," noted [a report from the Council on Foreign Relations](#), a U.S.-based think-tank ([Cbc news, 2022](#)).

January 2023

According to estimates by the General Authority for Statistics (GASTAT), GDP of Saudi Arabia grew by 8.8% in Q3/2022 compared to Q3/2021. In comparison to Q2/2022, real GDP growth was 2.1%. This growth is mainly due to the high increase in Oil activities by 14.2% y-o-y (4.5% q-o-q), but also non-oil activities grew by 6.0% y-o-y while ([Statistics Saudi-Arabia, 2022](#)).



In November 2022, the inflation reached 2,9% ([Statistics Saudi-Arabia, 2022](#)).

EGYPT

December 2022

In October 2022, the annual GDP growth was of 6,6% and the annual inflation was of 8,5% ([IMF, 2022](#)). In 2023, the GDP is

could arise due to supply chain disruptions, rising wage costs, and the tightening of monetary policy ([GlobalData, 2022](#)).

EGYPT

December 2022

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 ([GlobalData, 2022](#)).

ISRAEL

January 2023

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 ([Market Research, 2022](#)).

The construction and infrastructure industry in the State of Israel is in deep crisis. There is a shortage in the supply of [housing](#), infrastructure contractors are collapsing, and housing prices are increasing.

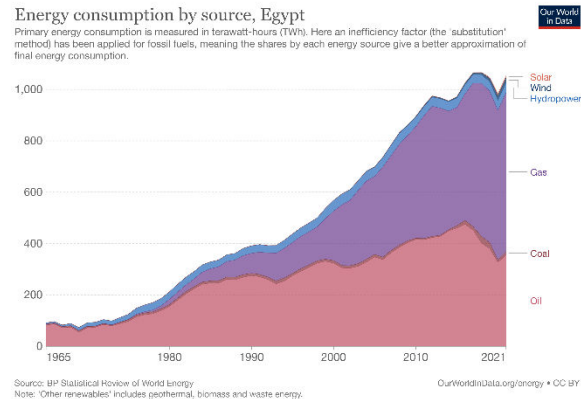
In the run-up to the government elections, the Fund for the Encouragement and Development of the Construction Industry, through the Israeli Builders Association, presented

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| | <p>expected to be of 5,1% (OECD, 2022).</p> <p>January 2023 Statista predicts the GDP to continuously increase between 2022 and 2027 by in total 194.9 billion U.S. dollars (+41.55%). The GDP is estimated to amount to 663.99 billion U.S. dollars in 2027 (Statista, 2022). Core inflation is at 21,5% (Central Bank of Egypt, 2022).</p> <p>ISRAEL December 2022 In October 2022, the annual GDP growth was of 6,1% and the annual inflation was of 4,5% (IMF, 2022).</p> <p>January 2023 Israel GDP is forecasted at 3% in 2023 while inflation is expected to be of 3.6% (IMF, 2022).</p> | <p>the leaders of the parties running in the Knesset elections with a comprehensive plan for dealing with the housing crisis. 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 (IBA, 2022).</p> |
| <p>Raw materials & Energy</p> | <p>Sourcing</p> | <p>Costs</p> |
| | <p>SAUDI ARABIA December 2022 Two elements are pushing prices up in Saudi Arabia:</p> <ul style="list-style-type: none"> - 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. - The high demand because of the construction and building boom in the region (Construction Week, Saudi Arabia, November 2022). | <p>SAUDI ARABIA December 2022 The country’s oil revenue in the first half of 2022 grew by 75% year on year (YoY), increasing from SAR248.7 billion (\$66.3 billion) in H1 2021 to SAR434 billion (\$115.8 billion) in H1 2022, boosted by the surge in prices. The rise in oil prices has bolstered the government’s funds; in August 2022, the Finance Ministry said that the budget surplus reached SAR78 billion (\$20.8 billion) in Q2 2022 (GlobalData, 2022).</p> <p>Since 2021, the price of aluminum, copper and iron have increased between 45% and 51%, while the price of steel rose by as much as 46% in some parts of Saudi Arabia</p> |

EGYPT

January 2023

For information: Egypt's energy mix consumption in 2021 ([WorldData, 2022](#)).



ISRAEL

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 ([OECD, 2022](#)).

([Construction Week, Saudi Arabia, November 2022](#)).

Modular construction techniques are currently up to 30% more expensive than traditional labor-intensive methods of construction ([Construction Week, Saudi Arabia, November 2022](#)).

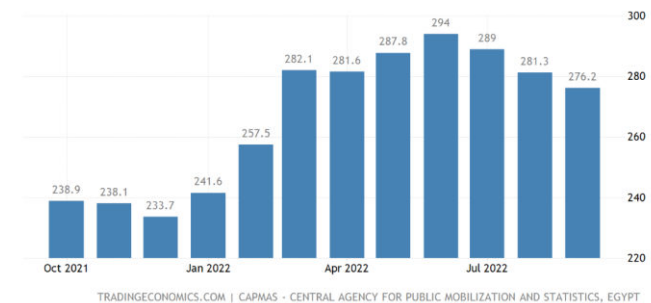
January 2023

Price rate of oil is currently at \$73,53, in January 2023, which a 1,3% increase compared to December 2022 ([Saudi Central Bank, 2023](#)).

EGYPT

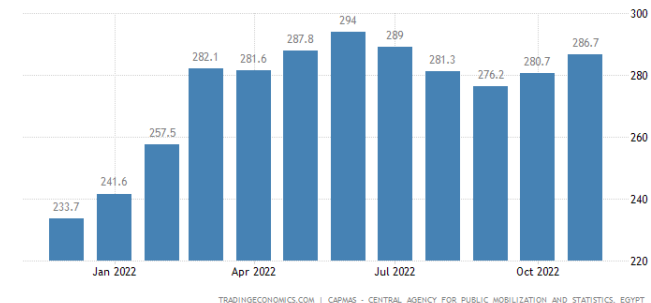
December 2022

Evolution of producer prices (October 2021 - October 2022), ([Trading Economics, 2022](#)).



January 2023

Producer prices in Egypt increased to 286.70 points in November from 280.70 points in October of 2022 ([Trading Economics, 2022](#)).



ISRAEL

Despite the decline in raw materials prices, the Construction Inputs Index has soared by 4.4% since the beginning of 2022. 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 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" ([IBA, 2022](#)).

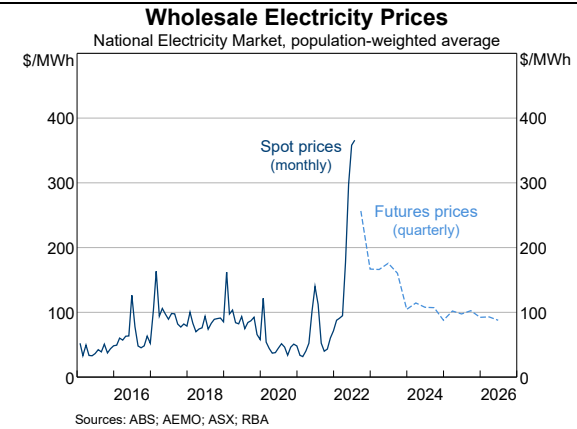
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| Public Authorities measures | <p>SAUDI ARABIA The Saudi Central Bank raised its repo rate to 5%. The Saudi repo rate exceeds the November inflation reading of 3%. Saudi Arabia typically follows the US central bank policy as the Riyal is pegged to the dollar (Saudi Central Bank).</p> <p>EGYPT In March 2022, the government announced a mitigation package worth EGP130 billion (\$8.3 billion) to alleviate the impact</p> | |

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| | <p>of rising prices. Moreover, the country issued a Samurai bond worth \$500 million in March 2022. Additionally, the government introduced a National Structural Reform Program (NSRP) (FY2021–22 and FY2023 – 24), which seeks to improve the standard of living and service delivery to all Egyptians without discrimination (GlobalData, 2022).</p> <p>January 2023</p> <p>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% (Central Bank of Egypt, 2022).</p> <p>ISRAEL</p> <p>To cope with the global price increase, the government increased child allowances, suspended taxes on coal for 2022, and reduced some custom tariffs (OECD, 2022).</p> |
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| | Oceania | |
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| Economic state | General | Construction |
| | <p>AUSTRALIA December 2022</p> <p>Australia has imposed several financial sanctions on Russia’s 62 entities and 843 individuals. The implications for Australian businesses are not directly related to the impact of Russia but are extended by its close relationship with China. China is now in recession, with growth below 6%. The impact of the war in Australia is felt the most in the food and agri-food chain, with Russia and Ukraine accounting for a combined 20-30% of global exports of several vital</p> | <p>AUSTRALIA December 2022</p> <p>The Russian/Ukrainian conflict has caused many delays for construction companies in Australia due to the increase in the oil price (especially diesel) and the cost of materials (OECD, August 2022).</p> <p>The construction industry is registered at an annual growth of 1.8%, when it was of 2.1% in 2020. It should be at an average growth rate of 2.8% by 2023, thanks to the government’s continued focus on infrastructure (Businesswire, October</p> |

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| | <p>commodities. The only advantage for Australia is that the states are reducing their dependence on Russian diesel and gasoline and can benefit from the US (Fao.org, June 2022).</p> <p>January 2023 Australia's GDP was of 0.6% in the last quarter of 2022 (Australian Bureau of Statistics). While the annual inflation was of 3.5% ending 2022 (Bank of Australia).</p> <p>NEW ZEALAND December 2022 The most significant impacts on New Zealand were the higher fuel and commodity prices, financial market volatility as well as the global economic activity that might take a toll. Especially given that the annexation of Crimea by Russia in 2014 has caused significant volatility, with dairy prices that had fallen by 40% over the course of the year 2015 (MFAT.gov, February 2022).</p> <p>January 2023 Gross domestic product (GDP) rose by 2.0% in the September 2022 quarter, following a revised 1.9% rise in the June 2022 quarter (Statistics New Zealand). Inflation reached 7.7% in the September 2022 quarter (Statistics New Zealand).</p> | <p>2022).</p> <p>January 2023 The Australian construction industry is expected to contract by 3.3% in real terms in 2022, before recording a successive contraction of 2.7% in 2023. The value of construction work completed contracted sharply in Q2 2022, by 4.3% year-on-year (YoY) and 3.8% quarter-on-quarter (QoQ). Weakening leading indicators, including the value of building approvals that fell by 16.4% YoY and 0.8% QoQ in Q2 2022, lend further support to our forecast.</p> <p>A significant rise in project costs due to an increase in building material and energy costs, and skill and labour shortages, is expected to weigh on construction activity and new construction investment in the second half of this year and into 2023.</p> <p>Further, the continued tightening of monetary policy by the Reserve Bank of Australia (RBA) is expected to exert downward pressure on the construction demand in the country. As interest rates rise, increased borrowing costs and slowing economic growth are expected to deter new private construction investments in Australia (GlobalData, 2022).</p> <p>NEW ZEALAND December 2022 Russia was the 27th largest export trading partner during the year 2021 for the country, with goods exports totaling 293 million of dollars. Almost all imports in 2021 from Russia were crude oil, which generated a source of stress for the country,</p> |
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| | | <p>especially given that aluminum prices have risen by 15% since the beginning of December, and an expected rise in raw materials could affect the construction sector (MFAT.gov, February 2022).</p> <p>The construction industry contributes significantly to the country's economic state with over 15.8 billion dollars (NZ) of profit during the first quarter of 2021 (Statista, May 2022).</p> <p>January 2023</p> <p>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 (GlobalData, 2022).</p> |
| <p>Raw materials & Energy</p> | <p>Sourcing</p> | <p>Costs</p> |
| | <p>AUSTRALIA</p> <p>Australia had already banned the import of petroleum, oil, coal, and gasoline, as well as alumina and bauxite, in July. 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 (Journal of Québec, March 2022).</p> | <p>AUSTRALIA</p> <p>Electricity prices are supposed to soar and to rise by 50% over two years and with a further 30% by the end of the year when they were only supposed to rise by 20%. Thought the government is trying to make new deals with gas companies on the east coast, to ensure enough supply for the country (SBS News, October 2022).</p> <p>An increase of almost 50% in oil prices is to be expected, knowing that crude oil prices are already above 100 dollars a barrel. Though Australia is one of the biggest exporters of coal and gas in the world, the electricity sector has had a few disruptions to coal supplies or power stations outages and ongoing maintenance. The prices are set to have rose by 45.2% (Reserve Bank of Australia, June 2022).</p> |



NEW ZEALAND

December 2022

The price of building products sold in NZ has increased by 32% on average over the last 12 months; suppliers only predict that building prices will increase further over the next six months, and 87% of these increases are causing inflationary pressure on their business. More than 95% report that rising freight costs are creating inflationary pressures on their business, and for 63%, it even impacts their ability to supply the market ([Scoop Media, August 2022](#)).

January 2023

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 ([Statistics New Zealand](#)).

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| <p>Public Authorities measures</p> | <p>AUSTRALIA December 2022 Though the government has spent more than 240 million dollars on armaments and military support to Ukraine and granted more than 9,000 Ukrainian refugees, Australia called on China to help end the war in Ukraine (VOA News, September 2022). Furthermore, the government has invested more than 60 million dollars to build better roads, and infrastructures, plus their plan of the Sydney metro. Australia’s Reserve Bank has also raised interest rates, while workers are supposed to see real salary increases starting 2023 (Forbes Advisor, November 2022).</p> <p>January 2023 By the end of December 2022, Australia’s banking interest rate was of 3.1% (0.5% in May 2022)(TradingEconomics, 2022).</p> <p>NEW ZEALAND 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 (Capital New Zealand, November 2022).</p> |
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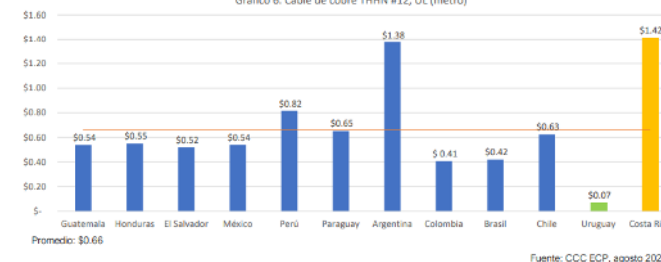
| Latin America | | |
|----------------|--|--|
| Economic state | General | Construction |
| | <p>OVERVIEW</p> <p>The situation tightened in October 2022. Indeed, they are facing the tightening of global financial conditions, given that major central banks have raised their interest rates to counter inflation. The growth projection for Latin America and the Caribbean went from 3.5% to 3% at the end of July. The region has suffered from both covid and the Ukrainian crisis. Certain countries' economies, such as Central America, Panama, and the Dominican Republic, are weakening, given the lack of trade with the United States. The projections for 2023 of the GDP for Latin America and the Caribbean is 1.7% only (IMF, October 2022).</p> <p>COSTA RICA December 2022</p> <p>As of November 2022, a high inflation and a high monetary policy stance are what defines the current economic state, while exports are obstructed till 2023 but should regain growth by 2024. The annual inflation is at 12% and should decline to 4.2% by 2024. Moreover, inequality is higher than in most advanced countries with the poorest 29% households earning 4.2% of total income. Therefore, they feel the consequences of the war in Ukraine (OECD, November 2022).</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <p>Economy</p> <p>GDP per capita is 64% lower than OECD best performers.</p> <p>Gap to the upper half of OECD countries: %</p> <p>Employment rate for 15-64 year olds: %</p> <p>OECD average: 70</p> <p>Costa Rica: 60</p> <p>Productivity is 66% lower than OECD best performers.</p> <p>Employment rate is low but was increasing before the 2020 crisis.</p> </div> <div style="width: 30%;"> <p>Inequality</p> <p>Inequality is higher than in most advanced economies.</p> <p>The poorest 20% of households earn 4.2% of total income.</p> <p>Gini coefficient of income inequality</p> <p>Low inequality: 23.6</p> <p>Costa Rica: 47.8</p> <p>Very high inequality: 62.0</p> <p>Advanced economies (median): 30.3</p> <p>Emerging economies (median): 45.9</p> <p>2018 or latest year available</p> </div> <div style="width: 30%;"> <p>Environment</p> <p>More than 3/4 of the population is exposed to harmful levels of air pollution.</p> <p>Carbon dioxide emissions have been stable in recent years.</p> <p>Greenhouse gas emissions per capita</p> <p>Tonnes of CO₂ equivalent</p> <p>OECD average: 10</p> <p>Costa Rica: 10</p> </div> </div> | <p>OVERVIEW</p> <p>The Construction sector is supposed to grow approximately by 5% during these next years, independently from fiscal pressures or international issues. The issue, instead, is that not all countries from the region are on an equal level. In 2021, the construction industry in Mexico alone was one of the largest in Latin America, with a value of 121 billion dollars. The construction market in Latin America covers different projects, from commercial construction to infrastructure and energy construction (Mordor Intelligence 2022). Latin America even received an overall score of 0.17 on Global Data's March 2022 Construction Project Momentum Index, which indicates the well-being of the construction project pipeline and all stages of development. Indeed, many construction projects are not meeting their deadlines, and the infrastructure sector has a score of -0.02% putting Latin America in 9th place out of 11 regions worldwide (for reference, 5 is the best score, and -5 is the worst)(Investment Monitor, April 2022).</p> <p>COSTA RICA</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%) (Bnamericas, March 2022).</p> <p>COLOMBIA January 2023</p> <p>GDP from Construction in Colombia increased to 11797.82 COP Billion in the third quarter of 2022 from 11145 COP</p> |

| | | |
|--|--|--|
| | <p>January 2023 Costa Rica's GDP is projected to be of 2.9% in 2023, while its inflation should reach 6.4% (IMF).</p> <p>COLOMBIA January 2023 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)(IMF).</p> <p>CUBA Cuba has decided to consider the Russian version of events that had been promoted throughout social media and television, and in some reports, it was even said that what was happening in Ukraine was "minimal and superficial". Two days before the beginning of the war in February, Russia had postponed the debt payments of Cuba till 2027 which were loans that aloud power generations, metals and transportation infrastructures (VOA News, April 2022).</p> | <p>Billion in the second quarter of 2022 (Trading Economics).</p> <p>PANAMA Panama is one of the countries of Latin America that suffered the most from the economic consequences of COVID-19, but in 2021 the industry rebounded to an estimate 47.8%. In August 2021, the government announced more than 4.8 billion dollars affected to infrastructure development sectors, so the construction industry should be stabilizing towards 12% of average growth between 2022-2025 (Businesswire, March 2022).</p> <p>GUATEMALA December 2022 Guatemala was able to bounce back from the COVID-19 pandemic thanks to the construction sector which represented 5.5% of the national GDP according to the Central American Bank for Economic Integration (CABEI) and should grow by 4.8% in 2022. The government announced different national development initiatives, which will increase the investments for the country towards rural infrastructure, housing as well as logistics. This program will boost the economy. Many of these projects are highways (310M\$), Harbors (800M\$), three airports (135M\$) etc. (International Trade Administration, August 2022).</p> <p>January 2023 GDP from Construction in Guatemala increased to 6255.59 GTQ Million in the second quarter of 2022 from 6008.20 GTQ Million in the first quarter of 2022 (Trading Economics).</p> |
|--|--|--|

| Raw materials & Energy | Sourcing | Costs | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|------------------------|--|---|--|--|-----------------------------------|--|-------------------|----------------|-----------------|-------------------|--------|---------------|--|--|--|--|--|--|--------|---------------|--|--|--|--|--|--|----------|----------|--|--|--|--|--|--|------------|----------|--|--|--|--|--|--|--------|---------|--|--|--|--|--|--|----------|---------|--|--|--|--|--|--|-----------|---------|--|--|--|--|--|--|---------|---------|--|--|--|--|--|--|--------|---------|--|--|--|--|--|--|-----------|----------|--|--|--|--|--|--|--------------------|----------|--|--|--|--|--|--|-------|---------------|--|--|--|--|--|--|------|---------------|--|--|--|--|--|--|
| | <p>OVERVIEW</p> <p>Latin America countries benefit from large endowments of minerals that are essential to the production of low carbon technologies such as lithium, copper, silver, bauxite, zinc, manganese, and nickel. Renewable energy deployment has also been very successful in Latin America, that are the lowest-cost source of new power generation and renewable energy capacity per capita that it twice the world average (IRENA Website).</p> <p>GUATEMALA</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), which is why they were able to be protected from the consequences of the Ukrainian war (International Trade Administration, August 2022).</p> | <p>OVERVIEW</p> <p>Though it might be tough to find relevant data country by country, there are sufficient data that show how vulnerable the region is to price variations and how certain materials have been affected because of the war in Ukraine.</p> <div data-bbox="1330 443 2067 927"> <p>Energy prices exposure</p> <table border="1"> <thead> <tr> <th>Country</th> <th>Overall impact of higher energy prices</th> <th>Crude oil/NGL imports vs. exports</th> <th>Oil rents (revenue - cost of production) as % of GDP</th> <th>Energy subsidies</th> <th>Political risk</th> <th>Transition risk</th> <th>Inflationary risk</th> </tr> </thead> <tbody> <tr><td>Guyana</td><td>Very positive</td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Brazil</td><td>Very positive</td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Colombia</td><td>Positive</td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Costa Rica</td><td>Positive</td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Mexico</td><td>Neutral</td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Suriname</td><td>Neutral</td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Venezuela</td><td>Neutral</td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Ecuador</td><td>Neutral</td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Panama</td><td>Neutral</td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Argentina</td><td>Negative</td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Dominican Republic</td><td>Negative</td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Chile</td><td>Very negative</td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Peru</td><td>Very negative</td><td></td><td></td><td></td><td></td><td></td><td></td></tr> </tbody> </table> <p>Sources: IMF, World Bank, IEA, BN Americas, AMI analysis</p> </div> <p>Indeed, this shows how countries might be affected by the political, transition, inflationary risk on the energy prices for example (IMF, 2022).</p> <p>Furthermore, thanks to data from the FIIC, we were able to see that the countries are especially vulnerable to price variations and especially expensive. For instance, for a copper wire these are the price variations depending on the countries (FIIC, August 2022).</p> | Country | Overall impact of higher energy prices | Crude oil/NGL imports vs. exports | Oil rents (revenue - cost of production) as % of GDP | Energy subsidies | Political risk | Transition risk | Inflationary risk | Guyana | Very positive | | | | | | | Brazil | Very positive | | | | | | | Colombia | Positive | | | | | | | Costa Rica | Positive | | | | | | | Mexico | Neutral | | | | | | | Suriname | Neutral | | | | | | | Venezuela | Neutral | | | | | | | Ecuador | Neutral | | | | | | | Panama | Neutral | | | | | | | Argentina | Negative | | | | | | | Dominican Republic | Negative | | | | | | | Chile | Very negative | | | | | | | Peru | Very negative | | | | | | |
| Country | Overall impact of higher energy prices | Crude oil/NGL imports vs. exports | Oil rents (revenue - cost of production) as % of GDP | Energy subsidies | Political risk | Transition risk | Inflationary risk | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Guyana | Very positive | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Brazil | Very positive | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Colombia | Positive | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Costa Rica | Positive | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mexico | Neutral | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Suriname | Neutral | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Venezuela | Neutral | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ecuador | Neutral | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Panama | Neutral | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Argentina | Negative | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dominican Republic | Negative | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chile | Very negative | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Peru | Very negative | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Análisis de precios unitarios.

Gráfico 6. Cable de cobre THHN #12, UL (metro)



Public Authorities measures

OVERVIEW

One of the advantages of the country 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 ([International Trade Administration, August 2022](#)).

GUATEMALA

December 2022

As said previously, the government and thus hand in hand with help from the United States has constituted a consequent growth plan for the country itself.

January 2023

Guatemala Central Bank decided on a 3.75% interest rate in November 2022 (1.75% in April 2022)([Central Bank of Guatemala](#)).

COSTA RICA

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

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| | <p>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 (EDF,ENR, August 2019).</p> <p>COLOMBIA January 2023</p> <p>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 (Trading Economics).</p> |
|--|--|

| | | South America | |
|----------------|---|--|--|
| Economic state | General | Construction | |
| | <p>OVERVIEW</p> <p>The current economic state of South America is different from one region to another. Indeed, though they have been able to recover from the COVID-19 pandemic strongly, the war in Ukraine is one more challenging the countries of South America. Due to the war, the countries have been facing a rise in energy and commodity prices and a global gasoline trade deficit. They have been able to counter certain aspects of the war in Ukraine, given Ukraine, Russia and Belarus only receive 0.6% of the region’s exports. However, Paraguay, Jamaica, and Ecuador had 4 to 6.6% of their total exports. The forecast for South America’s GDP is 2.1% for 2022 and 2% for 2023. The largest economies that are Brazil and Mexico are expected to underperform in 2022, with only 0.7% of the expected GDP (Deloitte, June 2022).</p> <p>ARGENTINA</p> | <p>ARGENTINA January 2023</p> <p>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).</p> <p>Construction activity forecast in Argentina October 2022 – February 2023 (Statistics Argentina).</p> | |

December 2022

One of the largest economies in South America, with a GDP of \$490 billion, is endowed with fertile lands, gas, lithium, and renewable energies. Increase of 10.4% of GDP in 2021, after a fall of 9.9% in 2020 ([OECD, November 2022](#)).

January 2023

Argentina’s GDP is projected to be of 2% in 2023, while inflation should reach the 76.1% according to the IMF projections ([IMF](#)).

BOLIVIA

January 2023

Bolivia’s GDP is projected to be of 3.2% in 2023, while inflation should reach the 3.6% according to the IMF projections ([IMF](#)).

BRAZIL

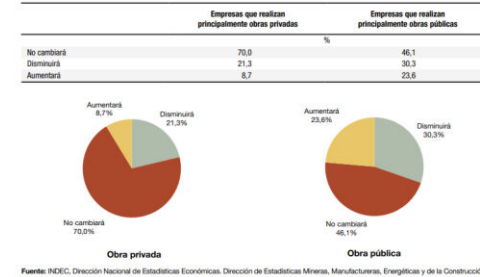
December 2022

The country could sustain growth even during inflation and has received higher prices for substantial oil, iron, and agricultural commodities exports. Inflation peaked again but reduced to 8.7% in August after obtaining a high of 12.1% in April. Brazil’s most significant exports, including iron ore, crude petroleum, and soybeans, have all shown price declines this past year, and with the threat of global recession, the export growth should come down ([Deloitte, October 2022](#)).

January 2023

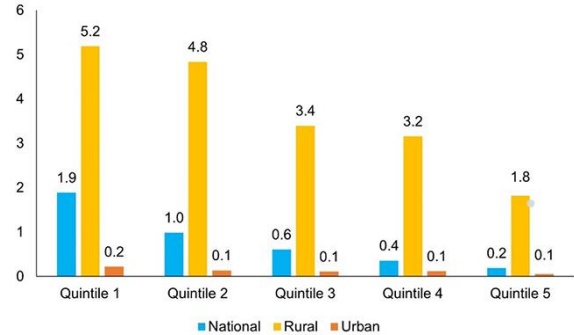
Brazil’s GDP is projected to be of 1% in 2023, while inflation should reach the 4.7% according to the IMF projections ([IMF](#)).

1. ¿Cómo cree que evolucionará la actividad del sector construcción durante el período diciembre 2022-febrero 2023?



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



| | <p>VENEZUELA <i>December 2022</i></p> <p>Though the country has faced a few difficulties in the last few years, it is expected to benefit from reduced inflation and an expansion of its economy of 9.8% in 2022 and should grow at a steady 5.4% in 2023. It has been growing at its fastest pace in 15 years, representing a rebound for the country thanks to the substantial oil reserves.</p> <p><i>January 2023</i> Venezuela's GDP is projected to be of 6.5% in 2023, while the inflation will be at 195% (IMF).</p> | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|---------------------|----------|-------|-------|------------|-----|-----|-----|------------|-----|-----|-----|------------|-----|-----|-----|------------|-----|-----|-----|------------|-----|-----|-----|
| <p>Raw materials & Energy</p> | <p>Sourcing</p> | <p>Costs</p> | | | | | | | | | | | | | | | | | | | | | | | |
| | <p>OVERVIEW</p> <p>Sourcing is an issue in South America, given many people do not even have access to energy. Seventeen million people lack access to electricity and 75 million to clean cooking fuels and technologies, a situation also exacerbated by the rising fossil fuel prices because of the war in Ukraine. The proportion of people without access to electricity by income quintile (rural, urban, and total):</p>  <table border="1"> <thead> <tr> <th>Quintile</th> <th>National</th> <th>Rural</th> <th>Urban</th> </tr> </thead> <tbody> <tr> <td>Quintile 1</td> <td>1.9</td> <td>5.2</td> <td>0.2</td> </tr> <tr> <td>Quintile 2</td> <td>1.0</td> <td>4.8</td> <td>0.1</td> </tr> <tr> <td>Quintile 3</td> <td>0.6</td> <td>3.4</td> <td>0.1</td> </tr> <tr> <td>Quintile 4</td> <td>0.4</td> <td>3.2</td> <td>0.1</td> </tr> <tr> <td>Quintile 5</td> <td>0.2</td> <td>1.8</td> <td>0.1</td> </tr> </tbody> </table> <p>In some countries of South America, such as Nicaragua, or</p> | Quintile | National | Rural | Urban | Quintile 1 | 1.9 | 5.2 | 0.2 | Quintile 2 | 1.0 | 4.8 | 0.1 | Quintile 3 | 0.6 | 3.4 | 0.1 | Quintile 4 | 0.4 | 3.2 | 0.1 | Quintile 5 | 0.2 | 1.8 | 0.1 |
| Quintile | National | Rural | Urban | | | | | | | | | | | | | | | | | | | | | | |
| Quintile 1 | 1.9 | 5.2 | 0.2 | | | | | | | | | | | | | | | | | | | | | | |
| Quintile 2 | 1.0 | 4.8 | 0.1 | | | | | | | | | | | | | | | | | | | | | | |
| Quintile 3 | 0.6 | 3.4 | 0.1 | | | | | | | | | | | | | | | | | | | | | | |
| Quintile 4 | 0.4 | 3.2 | 0.1 | | | | | | | | | | | | | | | | | | | | | | |
| Quintile 5 | 0.2 | 1.8 | 0.1 | | | | | | | | | | | | | | | | | | | | | | |

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| | <p>Bolivia, 30 to 40% do not have access to electricity. The same issue is seen with the costs and access of water and sanitation services, as well as the energy dependence to the water supply (also affected by the rising fuel prices)(CEPAL, Water and Electricity review, September 2022).</p> <p>ARGENTINA <i>January 2023</i></p> <p>In the third quarter of 2022, the original series index of the synthetic energy indicator (ISE) – energy production; registered an increase of 2.3% compared to the same period of 2021. The seasonally adjusted series index presents, in the third quarter of 2022, a decrease of 4.1% compared to the previous quarter and the trend cycle-series index registers a negative variation of 1.3% compared to the previous quarter (Statistics Argentina).</p> | <p>BRAZIL <i>January 2023</i></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 (19.47%), printing (18.07%), petroleum refining and biofuels (17.50%) and beverages (16.80%)(Statistics Brazil).</p> |
| <p>Public Authorities measures</p> | <p>OVERVIEW</p> <p>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 (CEPAL, September 2022).</p> <p>ARGENTINA <i>December 2022</i></p> <p>Agreement with the International Monetary Fund in early 2022 for a new Extended Fund Facility (EFF), a program that will allow the country to postpone its maturities with the agency and strengthen its reserves during the short term, reaching equilibrium in 2025 (World Bank, October 2022).</p> <p><i>January 2023</i></p> <p>In January 2023, the Central Bank of Brazil raised its interest rate to 75% (Central Bank of Argentina).</p> <p>BRAZIL <i>January 2023</i></p> | |

| | |
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| | The Brazilian Central Bank aims at keeping its interest rate to 13.75% until the end of January 2023 (13.25% in July 2022; 2% in February 2021)(Central Bank of Brazil). |
|--|--|

| Multi-Lateral Development Banks | |
|---------------------------------|---|
| | <p>ASIAN DEVELOPMENT BANK December 2022 Russia is a major trading partner for many countries in the region. One of the main impacts has been the disruption of trade and supply chains which, on top of global supply chain disruptions following the COVID-19 pandemic, has caused spiking food and energy prices. Some countries also have many migrant workers in Russia, and the war will likely increase returnees or reduce remittances.</p> <p>For example, around 133,000 Uzbek migrant workers had returned home by end of March. In Pakistan, almost 10 million Pakistanis were projected to fall into poverty from 2020-2022 due to soaring food and energy prices. Overall, higher food and energy prices threaten to undermine gains in poverty reduction in the last decade.</p> <p>ADB has a countercyclical facility that provides fast-disbursing emergency budget support during times of crisis. They enhanced this facility in May and subsequently rolled out the Building Resilience with Active Countercyclical Expenditures (BRACE) Programs¹ to help members cope with external shocks such as the invasion. They already approved a \$500 million loan for Uzbekistan, a \$1.5 billion loan for Pakistan, a \$50 million grant for Tajikistan, and a \$50 million package for the Kyrgyz Republic (ADB, October 2022).</p> <p>January 2023 In December 2022, ADB shared its forecasts for the year 2023 on the region: a downed revision compared to the previous forecasts.</p> |

¹ Program for food security, price stability and business support.

- 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 MSME² 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

² micro, small, and medium-sized enterprise

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 add 0.1%–2.4% to GDP.

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 ([ADB, 2022](#)).

AFRICAN DEVELOPMENT BANK

In the short term, the increase in the global oil prices is expected to elevate the cost of production in 12 East African countries, but not South Sudan which is a net oil exporter. This has already led to increases in food prices, a major driver of inflation in the region. The war is expected to trigger a migration of global investors from East Africa, resulting in portfolio outflow and currency depreciations. The depreciation of currencies in countries like Ethiopia and Kenya may elevate inflationary pressure through exchange rate pass-through and increase the cost of debt service.

Mitigating the effects of the Russia-Ukraine conflict will require appropriate temporary fiscal and monetary policies in the short-to-medium term. These measures could include temporary targeted transfers to the most vulnerable where safety nets exist, or temporary subsidies on food and fuel to contain inflation in the short term. However, countries face complex policy trade-offs: while containing inflationary pressures without unduly undermining growth, cushioning vulnerable groups against the surge in energy and food prices without adding to fiscal and debt vulnerabilities, and managing exchange rate adjustments in response to tightening global monetary and financial conditions. In the longer term, there is need for East African countries to identify alternative commodity markets to enhance market diversification and cushion the region's trade against future

external shocks. The African Continental Free Trade Area offers an important option in this regard. Energy security is also critical including through investments in renewable energy. During the transition, harnessing the region's natural gas potential, for instance in Tanzania, will promote the development of gas as an alternative transition fuel ([AFDB, October 2022](#)).

January 2023

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.

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 ([AFD, 2022](#)).

INTER-AMERICAN DEVELOPMENT BANK

After increasing steadily from mid-2020 due to the recovery that followed the pandemic, commodity prices soared again following Russia's invasion of Ukraine. In March 2022, the conflict pushed commodity prices above the precrisis highs of 2008. The overall index rose by 52.3% in 2021, driven by energy (99.7%), which increased in response to the recoveries in global demand and economic activity. The conflict in Ukraine caused a new shock due to Russia's role as the world's largest gas exporter, second- largest oil exporter, and major global fertilizer supplier, while both Russia and Ukraine are significant producers of wheat, sunflower, and maize. In the first half of 2022, the overall commodity price index grew by 49.9%, with energy up by 99.3%. Meanwhile, nonenergy products grew at a substantially lower rate (14.9%), and the increase for food and beverages (22.9%) was markedly greater than for agricultural commodities (6.8%) and metals (2.3%).

However, after peaking at the beginning of the war, the price increase then slowed. Although prices remain at historically high levels and are likely to be elevated for the duration of the conflict, by July 2022, the overall index was 4.1% below the high point of March 2022. While energy remained at comparatively high levels (in July it was 3.6% above March 2022 levels), nonenergy products fell by 15.3% between April and July 2022. This downward trend is explained by monetary tightening in advanced economies, the appreciation of the US dollar, and the slowdown in external demand. Oil prices increased by 62.6% on average in 2021 as a result of recovering demand and supply shortages caused by the moderate pace at which OPEC countries withdrew production limits and the slow production increase in non-OPEC countries. In the first half of 2022, oil prices rose by 69.1% due to Russia's role in the oil market. They peaked in July 2022 and then entered a downward phase. In response to these falling prices and anticipating lower demand due to the slowdown in the world economy, OPEC+ agreed to lower production as of October 2022, which may shore up prices in the coming months ([IDB, November 2022](#)).

FIGURE 4 * PRICES OF THE MAIN EXPORT PRODUCTS FROM LATIN AMERICA AND THE CARIBBEAN
(Index 2010=100, 2018-2022)



Source: IDB Integration and Trade Sector with data from Bloomberg (products) and IMF (total index).

January 2023

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 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](#)).

EUROPEAN BANK FOR CONSTRUCTION AND DEVELOPMENT

The EBRD's €2 billion Resilience and Livelihoods Framework will help Ukraine and the countries directly affected by the war. The priorities for EBRD support include trade finance, emergency liquidity, energy security and municipal services. In partnership with the Bank, the European Union is providing a €22.25 million unfunded guarantee to Ukraine Railways through the European Fund for Sustainable Development (EFSD). In addition, €2.75 million has been allocated from the EBRD Shareholders Special Fund (SSF). EBRD's support will ensure continued provision of vital energy services to affected people and businesses. The Bank focuses on providing working capital to the two leading energy companies (Naftogaz, gas & utilities company, and Ukrenergo, electricity transmission system operator). It will also help them adapt to the disruption of the war. The Bank has signed an unfunded guarantee with the EU worth €35.625 million to provide critical working capital for Ukrenergo. The EBRD Shareholder Special Fund (SSF) additionally contributed €1.875 million. EBRD committed up to €3 billion in financings for 2022-2023 ([EBRD, 2022](#)).

January 2023

Actions of the EBRD up-to-date:

- **Energy Security:** 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: [Naftogaz](#) (gas & utilities company), and [Ukrenergo](#) (electricity transmission system operator).

Progress to date: The Bank has signed two unfunded guarantees to finance emergency working capital of Ukrenergo: an EU guarantee worth €35.625 million extended through the [European Fund for Sustainable Development](#) (EFSD),

and a guarantee provided by the UK worth €48.6 million. The EBRD Shareholder Special Fund (SSF) additionally contributed €1.875 million. A contribution from the Netherlands of €72 million in the form of a grant to Ukrenergog will be signed soon to help the company undertake urgent repairs of the electricity infrastructure.


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.

- **Vital Infrastructure:** 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.

Progress to date: 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.

- **Municipal Infrastructure:** 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.

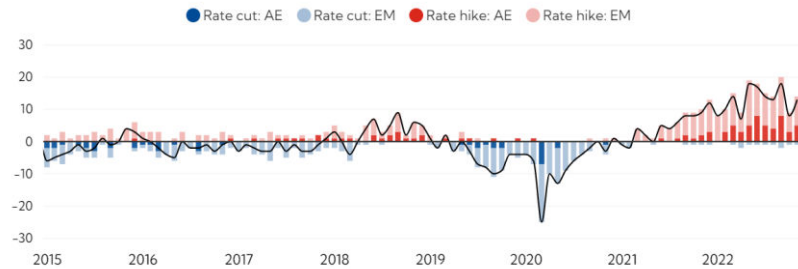
Progress to date: The Bank has been preparing several projects with Ukrainian municipalities to provide emergency liquidity support. The projects will be backed up by CRSF guarantees including €12.5 million from the US for a project in Lviv. In addition, the Bank secured contributions from Sweden (SEK 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](#)).

| Worldwide | | | | | | | | | | | | | | | | | | |
|--|--|--|------|------|------|----------------|-----|-----|-----|--------------------|-----|-----|-----|--|-----|-----|-----|--|
| Economic state | General | Construction | | | | | | | | | | | | | | | | |
| | <p>Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia’s invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook.</p> <p>Global growth is forecast to slow from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic.</p> <p>Global inflation is forecast to rise from 4.7% in 2021 to 8.8% in 2022 but to decline to 6.5% in 2023 and to 4.1% by 2024 (IMF).</p> | <p>The Construction Market size was valued at USD 7.28 trillion in 2021 and is predicted to reach USD 14.41 trillion by 2030.</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, volatility in raw material prices and supply chain disruptions are expected to restrain the growth of the market during the forecast period.</p> <p>Size of the global construction market in 2021, with forecasts from 2021 to 2030 (in trillion U.S. dollars)</p> | | | | | | | | | | | | | | | | |
| |  <p>WORLD ECONOMIC OUTLOOK OCTOBER 2022</p> <p>GROWTH PROJECTIONS</p> <table border="1"> <thead> <tr> <th>Category</th> <th>2021</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>GLOBAL ECONOMY</td> <td>6.0</td> <td>3.2</td> <td>2.7</td> </tr> <tr> <td>ADVANCED ECONOMIES</td> <td>5.2</td> <td>2.4</td> <td>1.1</td> </tr> <tr> <td>EMERGING MARKET & DEVELOPING ECONOMIES</td> <td>6.6</td> <td>3.7</td> <td>3.7</td> </tr> </tbody> </table> <p>INTERNATIONAL MONETARY FUND IMF.org #WEO</p> | Category | 2021 | 2022 | 2023 | GLOBAL ECONOMY | 6.0 | 3.2 | 2.7 | ADVANCED ECONOMIES | 5.2 | 2.4 | 1.1 | EMERGING MARKET & DEVELOPING ECONOMIES | 6.6 | 3.7 | 3.7 | |
| Category | 2021 | 2022 | 2023 | | | | | | | | | | | | | | | |
| GLOBAL ECONOMY | 6.0 | 3.2 | 2.7 | | | | | | | | | | | | | | | |
| ADVANCED ECONOMIES | 5.2 | 2.4 | 1.1 | | | | | | | | | | | | | | | |
| EMERGING MARKET & DEVELOPING ECONOMIES | 6.6 | 3.7 | 3.7 | | | | | | | | | | | | | | | |
| | January 2023 | | | | | | | | | | | | | | | | | |

With inflation at multi-decade highs in many countries, central banks pivoted toward higher interest rates. IMF chart showed the increasingly synchronized monetary policy cycle around the world.

Monetary policy cycle

(Number of central banks, absolute value)



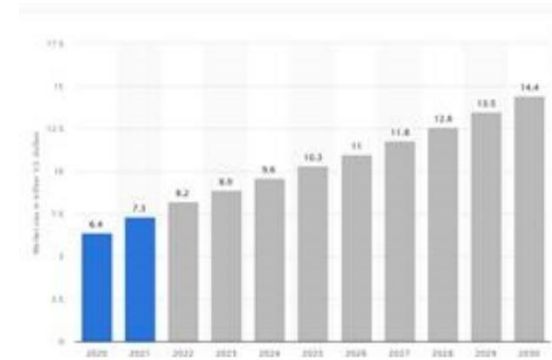
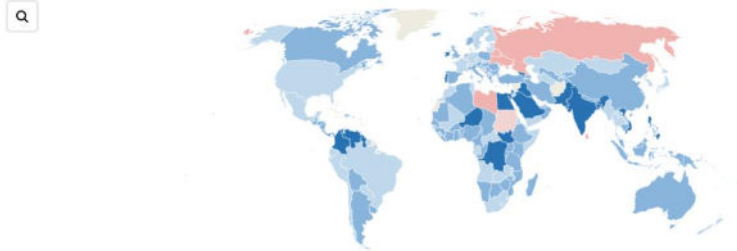
Source: Bloomberg, and IMF staff calculations. AE = Advanced economies. EM = Emerging markets. See blog for details on sample coverage.

Amid historic challenges, IMF growth forecasts have decreased. The Chart pulled together all economic forecasts, showing the broad-based deceleration.

Economic forecasts: 2022

(Real GDP growth; annual percent change)

Legend: No data (grey), Less than -3% (red), -3% - 0% (light red), 0% - 3% (light blue), 3% - 6% (medium blue), 6%+ (dark blue)





Questions to

Fanny DASTUGUE

f.dastugue@cica.net

Andine CANTON

a.canton@cica.net

Margaux DE KONING

dekoningm@fntp.fr