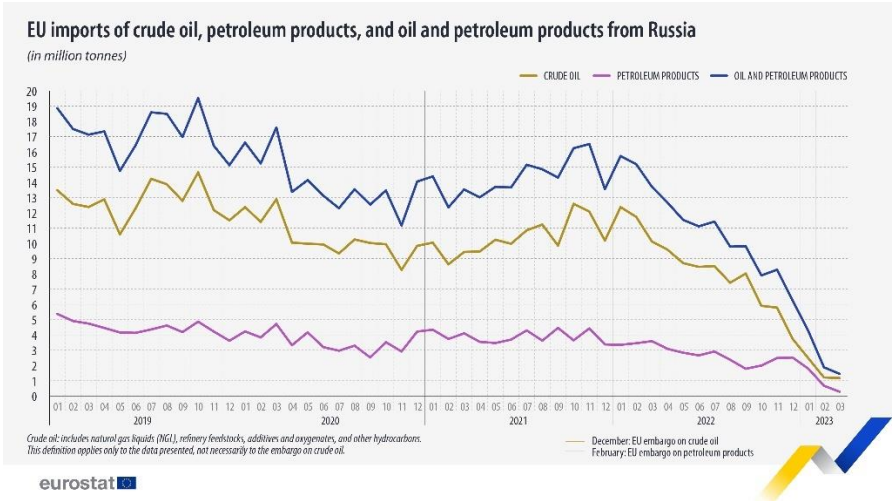




Russian-Ukrainian conflict
Impact on the construction sector in Europe
26/06/2023

	General & Construction	Ukraine
<p>June 2023</p>	<p>EUROPE STATISTICAL NEWS -----</p>  <p>EU imports of crude oil, petroleum products, and oil and petroleum products from Russia (in million tonnes)</p> <p>Legend: CRUDE OIL (yellow), PETROLEUM PRODUCTS (purple), OIL AND PETROLEUM PRODUCTS (blue)</p> <p><small>Crude oil: includes natural gas liquids (NGL), refinery feedstocks, additives, and oxygenates, and other hydrocarbons. This definition applies only to the data presented, not necessarily to the embargo on crude oil.</small></p> <p><small>December: EU embargo on crude oil February: EU embargo on petroleum products</small></p> <p>eurostat</p> <p>In March 2023, the total <u>imports of crude oil and petroleum products</u> from Russia into the <u>EU</u> decreased to 1.4 million tons (Mt) compared with the average monthly figure of 15.2 Mt in the three years from 2019 to 2022 (-90%). Russia had been a significant source of oil for the EU, but its war of aggression on Ukraine prompted the Commission to issue a <u>6th package of EU sanctions (June 2022)</u> which included embargoes on imports of Russian oil into the EU. The ban on imports of seaborne crude oil entered into force on 5 December 2022, while the ban on petroleum products took effect on 5 February 2023 (Eurostat).</p> <p>The euro area annual inflation rate was 6.1% in May 2023, down from 7.0% in April. A year earlier, the rate was 8.1%. European Union annual inflation was 7.1% in May</p>	<p>1/6/2023</p> <p>DREAM</p> <p>Ukraine's Ministry of Development of Communities, Territories and Infrastructure has presented the unified DREAM (Digital Restoration Ecosystem for Accountable Management) reconstruction management ecosystem. The DREAM ecosystem will make it possible to control every stage of a project lifecycle: damage registration, financing, tendering, construction and commissioning. According to Ukraine's Minister of Development of Communities, Territories and Infrastructure, DREAM is a powerful tool for international financial institutions, governments and private investors. It offers complete transparency on the projects to be financed and their implementation.</p> <p>As of now, local authorities can feed the system with reconstruction projects that will be examined and prioritized by the corresponding ministries and public agencies. Subsequently, the renewal agency, in coordination with international partners, will define the financing of the projects and contribute to their implementation by providing, among other things, technical assistance (Team France Export)(DREAM).</p> <p>6/6/2023</p> <p>Connecting Europe Facility Program</p>

	<p>2023, down from 8.1% in April. A year earlier, the rate was 8.8%. These figures are published by Eurostat, the statistical office of the European Union (Eurostat).</p> <p>In April 2023, industrial producer prices fell by 3.2% in the euro area and by 2.9% in the EU, compared with March 2023, according to estimates from Eurostat. In March 2023, prices decreased by 1.3% in both the euro area and the EU.</p> <p>Industrial producer prices in the <u>euro area</u> in April 2023, compared with March 2023, decreased by 10.1% in the energy sector (Eurostat).</p> <p>LATIN AMERICA STATISTICAL NEWS -----</p> <p>The value of exported goods from Latin America and the Caribbean grew at an estimated rate of 2.9% year-on-year in the first quarter of 2023, after increasing by 16.4% in 2022, according to the latest edition of the Inter-American Development Bank’s Trade Trends Estimates report. Although the region’s trade performance was better than the world average, exports slowed significantly due to lower commodity prices and weaker export volumes. Looking ahead, the balance of risks is moderately weighted to the downside due to the impact of tight monetary policies on global growth, uncertainty surrounding the war in Ukraine, the depletion of the expansionary effect of the reopening of the Chinese economy, and the reversal of the upward trend in commodity prices. “The post-Covid expansionary phase in the trade cycle has run its course, and Latin American and Caribbean exports have moved into a slowdown that is set to continue into the next quarter before stabilizing in the second half of the year,” said Paolo Giordano, Principal Economist at the IDB’s Integration and Trade Sector, who coordinated the publication. “Policies and investments that seek to boost competitive insertion into foreign markets will be key to shoring up the region’s economic recovery.” The slowdown affected the entire region but was especially pronounced in the economies of South America, where the impact of falling prices was also greater due to the weight of commodities in their export baskets. External sales continued to expand in the first quarter of the</p>	<p>Commissioner for Transport Adina Vălean and Deputy Prime Minister for Restoration of Ukraine and Minister for Communities, Territories and Infrastructure Development Oleksandr Kubrakov, signed an agreement, associating Ukraine to the <u>Connecting Europe Facility (CEF) program</u>.</p> <p>This agreement will enable Ukrainian project promoters to apply for EU funding for projects of common interest in the transport, energy and digital realms, further improving Ukraine's connectivity with its EU neighbors. It will support Ukraine's integration within the EU Single Market, promote growth, jobs, and competitiveness (European Commission).</p> <p>13/6/2023 European Commission and EIB public guarantee The European Commission and the European Investment Bank (EIB) announced a European public guarantee that will enable EIB to provide up to €100 million in new loans to finance the reconstruction of municipal and energy infrastructure in Ukraine. This European guarantee is one of the elements of the “EU4Ukraine” initiative approved by the EIB at the end of March, which aims to contribute to the reconstruction of the country in the wake of Russian military aggression, through the financing of projects and the provision of technical expertise. Notably, EIB agreed on a EUR 1.8 billion financing for sustainable transport, corporate innovation, clean energy, climate action and digitalization (EIB).</p>
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	<p>year in the countries of Mesoamerica, particularly Mexico, which helped to sustain the region’s performance.</p> <p>According to the report, the prices of Latin America and the Caribbean’s main export commodities were extremely volatile between January and April 2023. Year-on-year growth rates were negative for the prices of oil (-18.2%), coffee (-12.6%), iron ore (-11.9%), copper (-11.1%), and soybeans (-5.2%). Sugar prices increased by 15.1% year-on-year.</p> <p>The report expects that “the main adjustment to prices took place in the first quarter of 2023” and that “prices will remain largely stable for the rest of the year, at historically high levels.” However, “the forecast includes risks of different natures that may unfold against a backdrop of uncertainty regarding the evolution of interest rates and the value of the dollar, which tend to have a direct impact on commodity prices” (IDB).</p> <p>MIDDLE EAST AND CENTRAL ASIA STATISTICAL NEWS -----</p> <p>Real GDP growth for 2022 has been revised up to 5.3% in the Middle East and North Africa (an upgrade of 0.3 percentage point from October 2022), reflecting strong domestic demand and a rebound in oil production, and 4.8% in the Caucasus and Central Asia (1.0 percentage point), reflecting spillovers from the war in Ukraine. Inflation surged in 2022 to 14.8% in MENA and 13% in the CCA, as the war in Ukraine spurred global food and energy prices. Headline inflation eased in the final months of 2022, but core inflation remains high.</p> <p>In MENA, GDP growth is forecast to slow to 3.1% in 2023 before rising to 3.4% in 2024, reflecting tight policies to restore macroeconomic stability, agreed OPEC+ oil production cuts, and the fallout from the recent deterioration in financial conditions.</p> <p>Inflation in MENA is set to remain unchanged at 14.8% before declining to about 11% in 2024 (IMF).</p> <p>CONSTRUCTION STATISTICAL NEWS -----</p>	<p>20/6/2023</p> <p>“Ukraine Facility” program</p> <p>The EU, its Member States and European Financial Institutions have together provided wide-ranging support to Ukraine and its people, amounting to EUR 70 billion by May 2023. This includes EUR 38 billion in financial, budget support and humanitarian assistance, EUR 15 billion in military support, including through the European Peace Facility, and EUR 17 billion made available by the EU and its Member States to help cater for needs of people fleeing the war. In addition, the EU Solidarity Lanes established in May 2022 had by end May 2023 already provided EUR 31 billion in export revenue to Ukraine. EU Member States have also provided temporary protection for around 4 million people fleeing the country since the start of the war (European Commission).</p> <p>The European Commission proposed a new financial architecture that will stabilize the European Union's macro-financial assistance to Ukraine at €50 billion until 2027, as part of the mid-term review of the Multiannual Financial Framework (MFF) 2021-2027.</p> <p>This new “Ukraine Facility” will provide predictability on EU support for Ukraine's functioning and reconstruction and will be "an incentive" for other potential donors to get involved over the medium term, said Commission President Ursula von der Leyen.</p> <p>The 'Ukraine Facility' will provide loans of "€33 billion", which will be guaranteed using the margin</p>
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	<p>The reports from KPMG, InEight, McKinsey and XYZ Reality attempted to gauge how construction professionals feel about the state of the industry, their concerns, and how they see the future developing.</p> <p>International Construction examined those reports to come up with four key takeaways:</p> <ul style="list-style-type: none"> • <u>Confidence is surprisingly high</u> <p>Despite the prospect of recession looming in some markets including the US, UK and parts of Europe, construction professionals were surprisingly bullish about their prospects over the coming year. Four out of 10 engineering and construction (E&C) respondents told KPMG that they expect revenue growth of more than 10% in the next 12 months. Meanwhile, InEight reported that 41% of construction project owners were very optimistic about their organization’s prospects for the next 12 months, with 51% declaring themselves optimistic, and only 9% saying they were not very optimistic. Among contractors, those figures were even higher, with 41% very optimistic and 58% optimistic. Contractors in the Asia-Pacific (APAC) region were most confident, at 96% for project owners and contractors combined, compared to 93% in North America and 92% in Europe.</p> <p>The biggest risk to growth for their own organisation cited by contractors was staff or skills shortages (46%), following by economic recession (36%) and lack of access to capital (35%).</p> <ul style="list-style-type: none"> • <u>2) Construction companies struggling to stay on schedule</u> <p>Meanwhile, a report from augmented reality (AR) solutions provider XYZ Reality found that two thirds of US construction projects are delivered “somewhat or very frequently out of schedule”.</p> <p>The results came after a survey of 300 construction company owners and executives. The delays to projects appear largely to be a hangover from widely publicized supply chain problems, with 52% of respondents citing this as a cause. Some 43% also blamed poor communication on projects, rising construction costs (43%), inexperienced workers (39%), new sustainability requirements (36%) and insufficient supervision (34%).</p> <p>The results chimed with the findings of KPMG’s report, which revealed that only half of project owners’ projects are meeting completion deadlines.</p>	<p>between commitment and payment appropriations in the EU budget, as well as grants of "€17 billion", which in turn will be guaranteed by a new MFF financial instrument, the 'Ukraine Reserve'.</p> <p>The payment of aid, which would take place on a quarterly basis, will be subject to stricter budgetary conditions and monitoring than at present. Ukraine will have to reform its internal audit and control systems. The Commission will be empowered to carry out checks at any time on the progress of projects financed by European funds.</p> <p>Other donors, such as Member States or multilateral financial organizations, will be able to contribute financially to the Ukraine Facility. The mobilization of certain frozen Russian assets is also envisaged (European Commission).</p> <p>22/6/2023</p> <p>European Commission, EIB and EBRD programs</p> <p>At the London Conference for the Economic Recovery and Reconstruction of Ukraine, agreements were signed between the Commission and the EIB, and orally with the European Bank for Reconstruction and Development (EBRD) for a total value of <u>800 million euros</u>.</p> <p>The EBRD program aims to facilitate access to war risk insurance for Ukrainian and international companies. The guarantees will protect future private investments and insure shipping and international trade against war risks.</p>
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	<p>That represented a rise of 5% since the 2021 survey. A total of 7% of respondents to the survey also admitted that they had missed budget and/or schedule performance targets due to a lack of effective risk management.</p> <p>KPMG said that supply chain disruption, high energy and materials prices, and labor shortages were all pushing up costs and delaying project timelines (Construction Europe).</p> <p>GENERAL NEWS -----</p> <p>30/6/2023 Rebuild Ukraine Conference, November 2023 The first edition of Rebuild Ukraine, which took place in Warsaw in February 2023, brought together over 60 Ukrainian local authorities - the prime contractors for reconstruction projects - and over 300 international exhibiting companies from the construction and energy sectors.</p> <p>The second edition of Rebuild Ukraine will take place on November 14-15, 2023 in Warsaw. The exhibition, which will be twice the size of the previous edition, will focus on two sectors: construction and energy, organized in partnership with the Ukrainian Ministry of Energy. The largest public companies in the Ukrainian energy sector are expected to attend (Team France Export)(ReBuild).</p> <p>22/6/2023 Ukraine Recovery Conference, June 2023 At the end of the conference, Kiev "received a total of 60 billion euros in new financial support to rebuild its economy", of which "most [...] comes from a 50-billion-euro aid package that the European Union has planned to release until 2027" [Le Figaro]. The United States "has also announced \$1.3 billion (around €1.2 billion) in aid, targeting the energy and infrastructure sectors in particular" [La Tribune]. International organizations are also "reaching into their pockets: the World Bank (WB) has so far released more than \$20 billion in loans or grants, and the International Monetary Fund (IMF) granted financial aid of 15.6 billion euros for the next four years in March", reports France 24. The fundings will respond to the</p>	<p>The agreements with the EIB Group aim to provide guarantees that will reduce financial risks for the Ukrainian private sector. Here are the main ones:</p> <ul style="list-style-type: none"> • <u>EU4Business Guarantee for Micro Small and Medium-Sized Enterprises:</u> This agreement will provide €40 million in EU guarantees to EaP countries, including €30 million for Ukraine, which should unlock €375 million in loans for local small and medium-sized enterprises in Ukraine out of the expected €500 million in loans across the region. The remainder will be made available to banks in Moldova, Georgia, Armenia, and Azerbaijan. • <u>SME Facility - Free Trade Zone:</u> An additional €125 million in new SME loans from Ukrainian banks will be made possible through the adjustment of an ongoing risk-sharing program financed by the EU and implemented by the EIB. • <u>EU for Ukraine' (EU4U) initiative:</u> The European Commission will provide 100 million euros in guarantees for sovereign loans from the EIB to Ukraine for rapid recovery, including urgent repairs to municipal and energy infrastructure. • <u>Small loan guarantees:</u> These will cover financing granted by financial institutions to small businesses (up to 200 million euros), particularly those
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	<p>emergency, "in particular [for] public services such as water, gas and electricity distribution", says diplomat Gérard Araud for France 24 (Toute l'Europe).</p> <p>23/6/2023 11th package of sanctions The Council of the European Union formally adopted the eleventh package of sanctions against Russia for its military aggression against Ukraine, aimed primarily at preventing the circumvention of European sanctions already adopted. The EU-27 will introduce a new mechanism that could, as a last resort, ban the sale, supply, transfer or export to a third country of certain EU products or technologies used by Russia in its war effort, once systemic cases of sanctions circumvention have been detected. The EU has been implementing an embargo on Russian oil and oil products since February. To prevent this measure from being circumvented, a ban on access to EU ports has been imposed on ships which:</p> <ul style="list-style-type: none"> • Carry out ship-to-ship transfers suspected of breaching the European embargo or the G7 oil price cap; • Fail to notify the competent authority at least 48 hours in advance of a ship-to-ship transfer within the exclusive economic zone of a member state or within 12 nautical miles of the coast of that member state; • Manipulate or deactivate their navigation tracking system when transporting Russian oil subject to the European embargo or the G7 price cap (Toute l'Europe / UE Journal). <p><i>More information on Ukraine's economic and business perspectives here.</i></p> <p>COUNTRY FOCUSES -----</p> <p>Belgium According to the statistical office Statbel, 906 construction companies have gone out of business since the start of the year: materials prices, energy prices and rising wage costs are all factors that are putting the sector in difficulty. This is one of the</p>	<p>in the agro-industry and businesses run by women (URC London, June 2023).</p> <p>23/6/2023 BECHTEL The State Agency for Restoration and Development of Infrastructure of Ukraine, the organization responsible for the implementation of reconstruction projects, and Bechtel, a leading global engineering, construction, and project management company, announced the signature of a Memorandum of Understanding (MOU) to work together on developing a national program that prioritizes key infrastructure corridors and projects destroyed during the military aggression. The agreement was signed by both parties at the Ukraine Recovery Conference in London.</p> <p>"Ukraine's cooperation with a global American company in the planning, development, design, and implementation of engineering and construction solutions will have a positive impact on the implementation of complex projects during the reconstruction of Ukraine. The Reconstruction Agency and Bechtel will not only consult on the implementation of key infrastructure projects in Ukraine, but will also provide technical and programmatic support as part of the national reconstruction," said Mustafa Nayyem, Head of the State Agency for Restoration and Development of Infrastructure of Ukraine.</p> <p>Cooperation between the two parties will include:</p>
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	<p>reasons why EMBUILD is calling for the 6% VAT rate to be maintained for renovation work. And for the stabilization of energy and material prices (Trends).</p> <p>Netherlands</p> <p>The Netherlands risks falling short of its housing construction targets due to migration, rising construction costs and a lack of available land, said Minister of Housing and Spatial Planning Hugo De Jonge of the Christian Democratic Appeal party (CDA/EPP), on May 23rd.</p> <p>The Netherlands has been mired in a housing crisis for several years, with the cabinet having set a target of 900,000 additional housing units to be built by 2030. "Demand for housing is increasing more strongly than expected, mainly due to migration," De Jonge said in the progress report.</p> <p>"At the same time, financial conditions for housing construction, particularly in the short term, have become more difficult. It is therefore even more urgent to join forces to continue building [...] appropriate housing in sufficient numbers," he added.</p> <p>In 2022, migration to the Netherlands increased significantly, mainly due to Russia's war in Ukraine, resulting in a population increase of 227,000 that year, compared with 115,000 in 2021.</p> <p>Although an additional 90 000 housing units were built last year - in line with the 2030 target - the construction of new housing units will become more difficult in the coming years due to rising construction costs and interest. The Economic Institute for Construction (Economisch Instituut voor de Bouw, EIB) estimates that housing construction will fall by 3.5% in 2023 and 5.5% in 2024 compared to the previous year.</p> <p>To guarantee housing construction in the short term, Hugo De Jonge promises to invest at least 250 million euros in short-term housing construction projects, as well as 300 million euros in the construction of so-called "flexible" housing, designed to accommodate Ukrainian refugees as well as other asylum seekers. De Jonge also called on communities to find alternative building sites and speed up the housing construction process, which currently takes up to 10 years on average (Euractiv).</p> <p>Germany</p>	<p>Projects to restore critical infrastructure, including the Kakhovka Dam;</p> <p>Master planning and provision of technical services for key logistics and transportation corridors; and</p> <p>Identification of potential sources of funding for reconstruction projects, including private sector investment (Bechtel).</p>
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	<p>The German Ministry for Economic Cooperation and Development has launched a digital platform to strengthen Germany's commitment to the reconstruction process in Ukraine. The new networking platform aims to connect non-state actors, exchange information, and stimulate economic opportunities for the companies involved.</p> <p>"The platform is designed to become a space for networking, dialogue and information gathering in order to bring together people who would otherwise not be able to meet," said Schulze.</p> <p>According to the Minister, "the German state's contribution to the reconstruction of Ukraine can be significantly enhanced by the commitment of business, civil society, municipalities and universities."</p> <p>The platform serves as a first point of contact for all non-state actors established in Germany who wish to participate in the reconstruction process. It aims to offer companies economic opportunities by answering the frequently asked question "how can I get involved?"</p> <p>As well as providing networking and dialogue opportunities for players involved in the reconstruction process, the platform includes the "Plattform Wiederaufbau Ukraine" website. This is a resource enabling participants to receive information on offers, upcoming events and funding opportunities from the German government.</p> <p>In addition, the platform brings together individual initiatives and projects, and creates synergies, for example, between the commitment of municipalities and the private sector.</p> <p>The platform's content will cover topics relating to technical, logistical, climatic, and social issues, ranging from how to rebuild homes cost-effectively to how to deal with war trauma.</p> <p>The platform also includes partnership programs from the Ministry for Economic Cooperation and Development: 135 partnerships between German and Ukrainian municipalities, 8 partnerships between German water companies, as well as 13 partnerships in the field of medical care aimed at providing Ukrainian hospitals with medical equipment and training (Euractiv).</p>	
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