Rakennusteollisuus

Growth will continue this year despite uncertainty

Construction will see a decline

Economic survey 19 May 2022

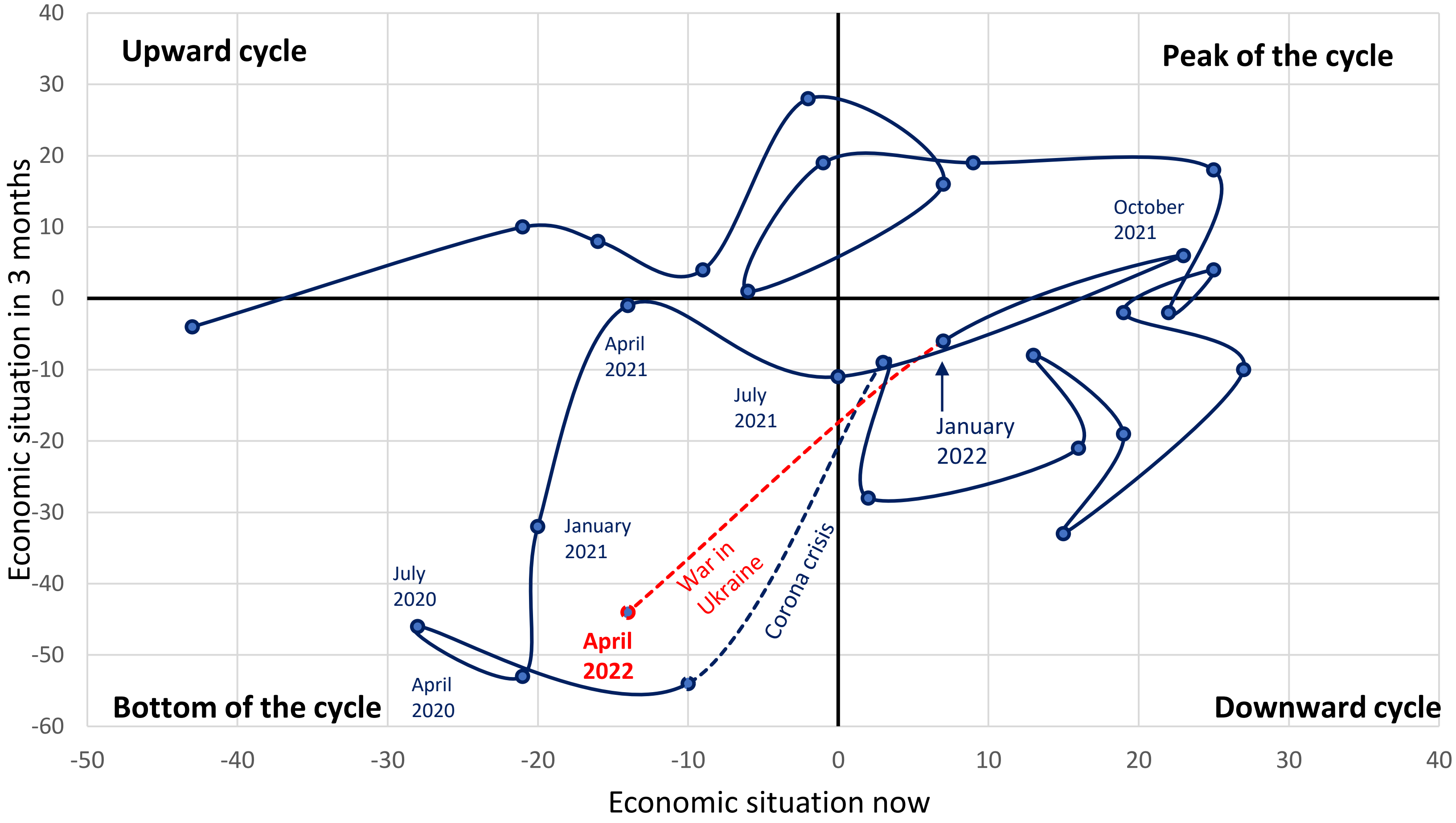
Chief economist Jouni Vihmo

The situation for the construction industry will remain good despite growing uncertainty - next year will see a decline

- **Prospects for the construction industry weakened significantly because of the war in Ukraine**
  - The damage caused by the war will increase as we approach 2023
  - The greatest concern are the cost rises caused by lower availability of raw materials
  - Most companies expect delays in ongoing production and a degree of postponing in investments
- **The large number of projects started before the war will keep the volume growing this year**
  - Housing construction will slow down from a record high level to a historically good level of 39 000 dwellings
  - Facility construction will increase slightly less than previously forecast due to uncertainty and unpredictability of costs
- **Decline in dwelling starts and investment projects will decrease construction next year**
  - The dwelling production target of 35 000 dwellings will still be met next year
  - Investment projects postponed from 2022 will slow down the decline of facility construction
  - Renovation will keep growing
  - Civil engineering will see a decline due to the weak economic situation of municipalities and slowdown of railway projects
  - Employment will develop poorly during the forecast period
- **The risks of the forecast are clearly downward and mostly related to the year 2023**
  - Material cost rises and downward risks in European economy may cause larger corrections downward than forecast.
- **The war in Ukraine will have long-term effects on the supply and demand of construction labour and materials throughout Europe.**

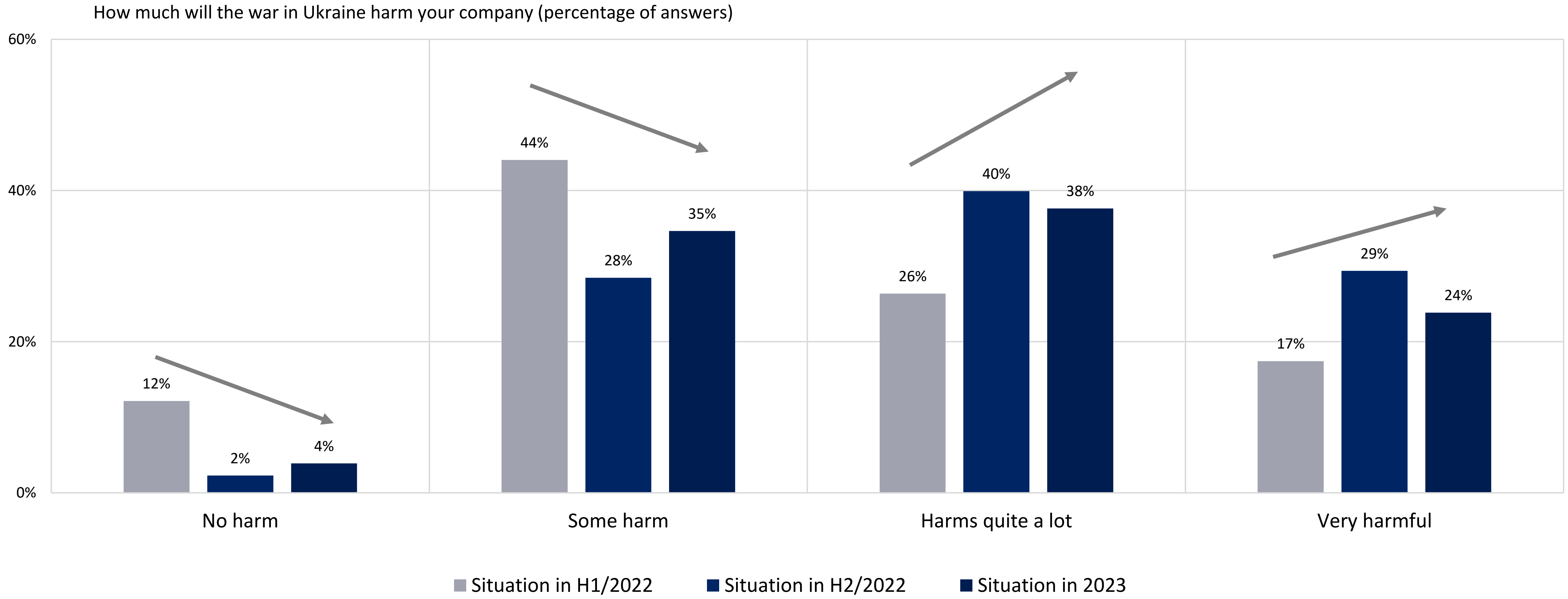
The war in Ukraine pushed construction industry prospects to the floor

Ongoing production and production prospects still at a comfortable level



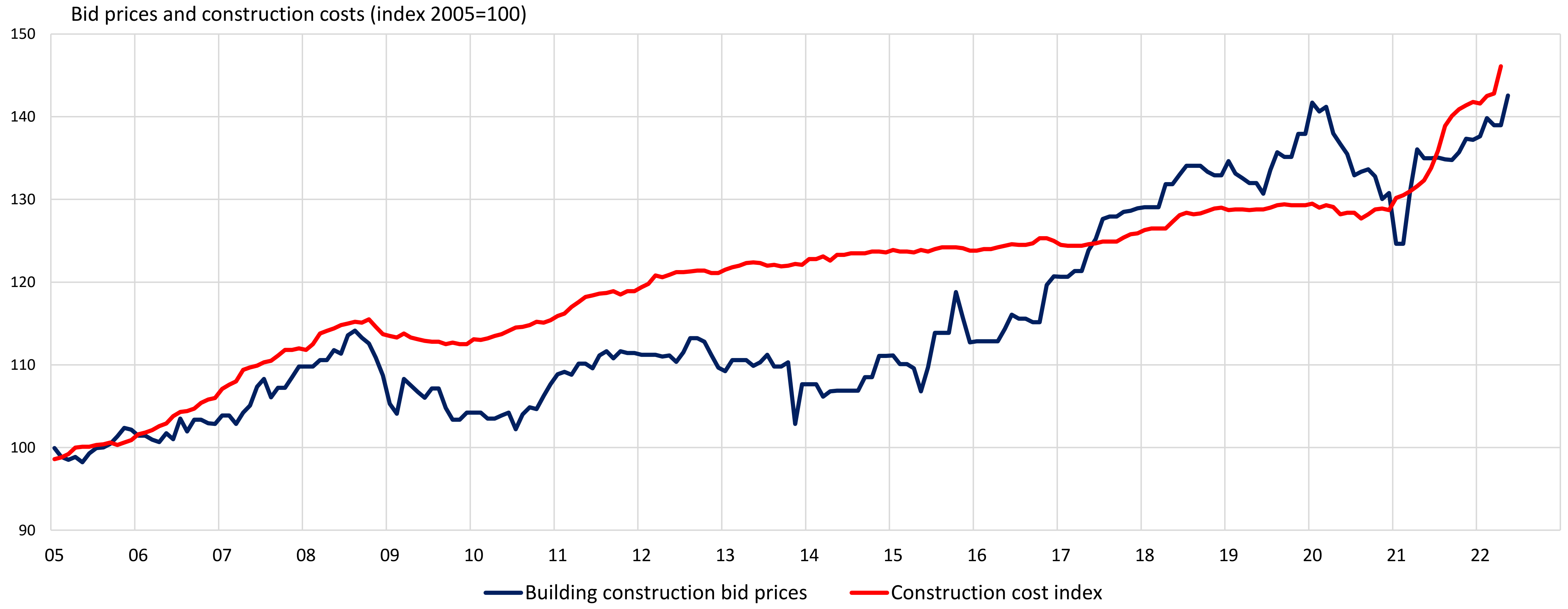
The war in Ukraine harms nearly all companies

The harm will increase at the end of the year and remain at the same level next year



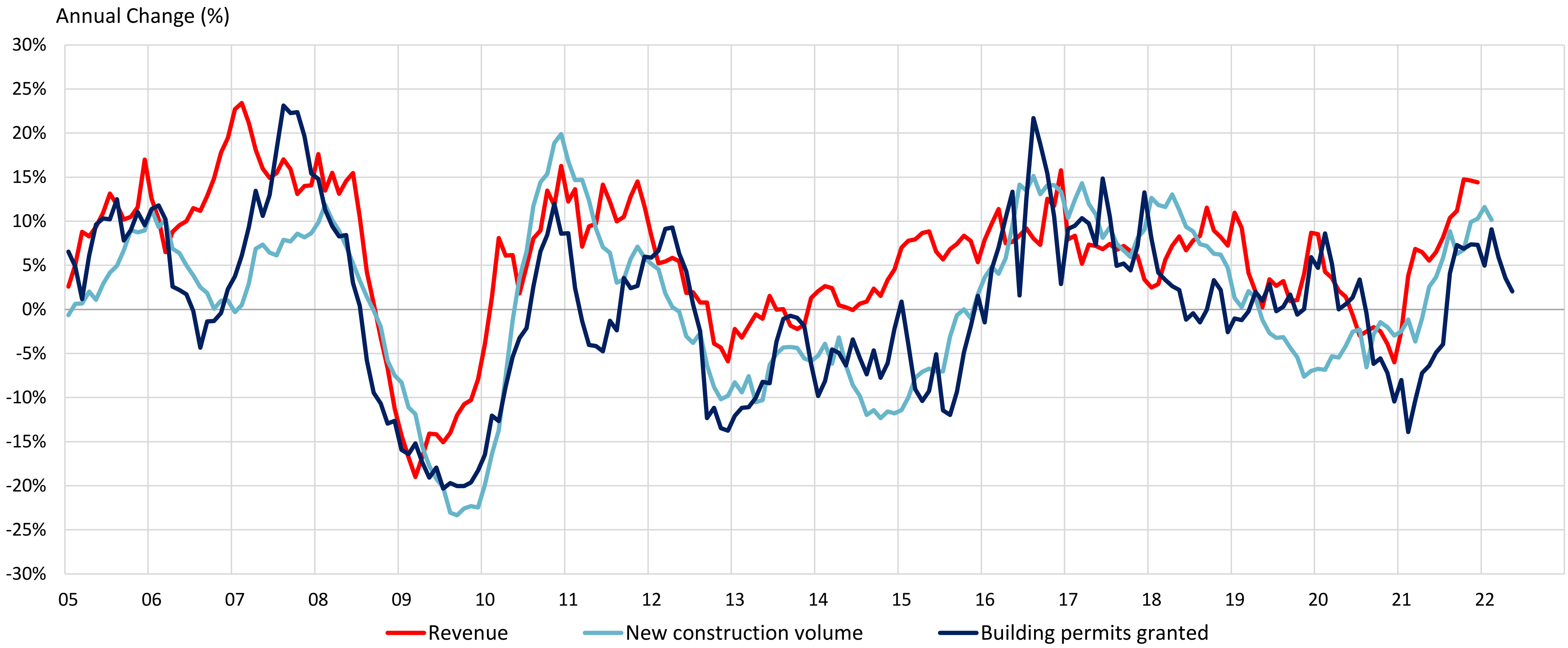
Difficulty of tendering the biggest hinderance

Availability of materials uncertain, cost development impossible to predict



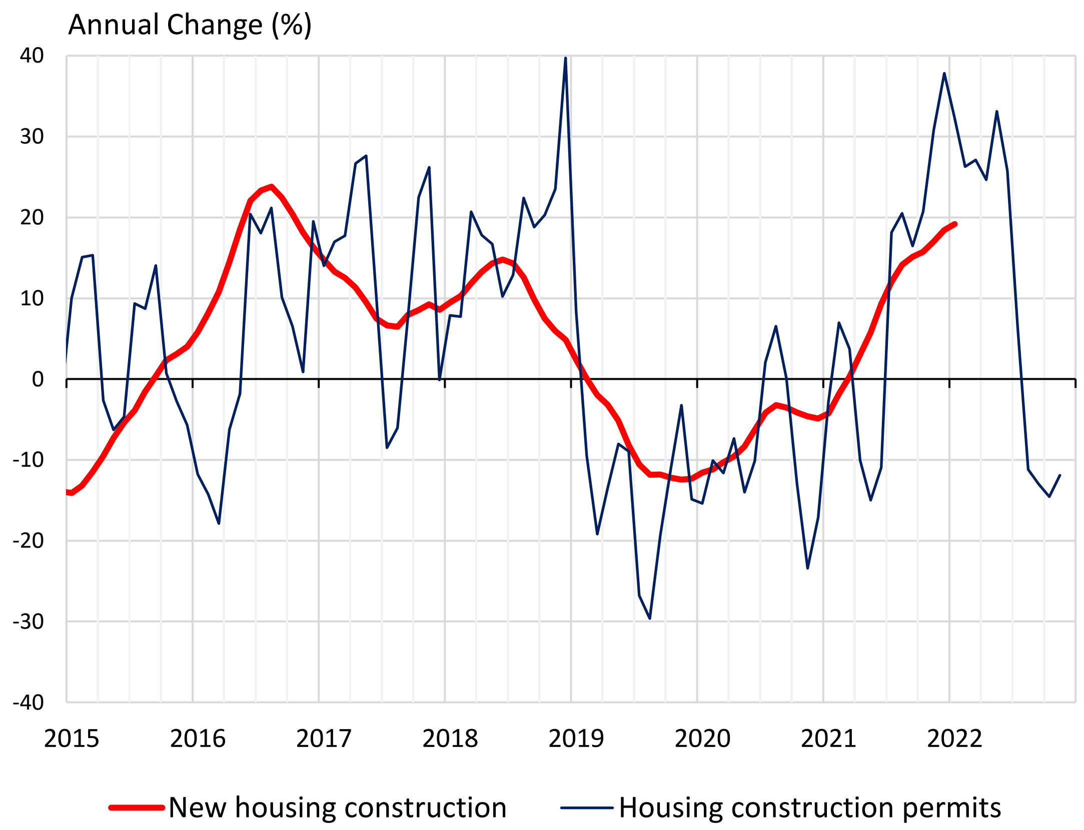
Building permits were already showing signs of slowing down before the war

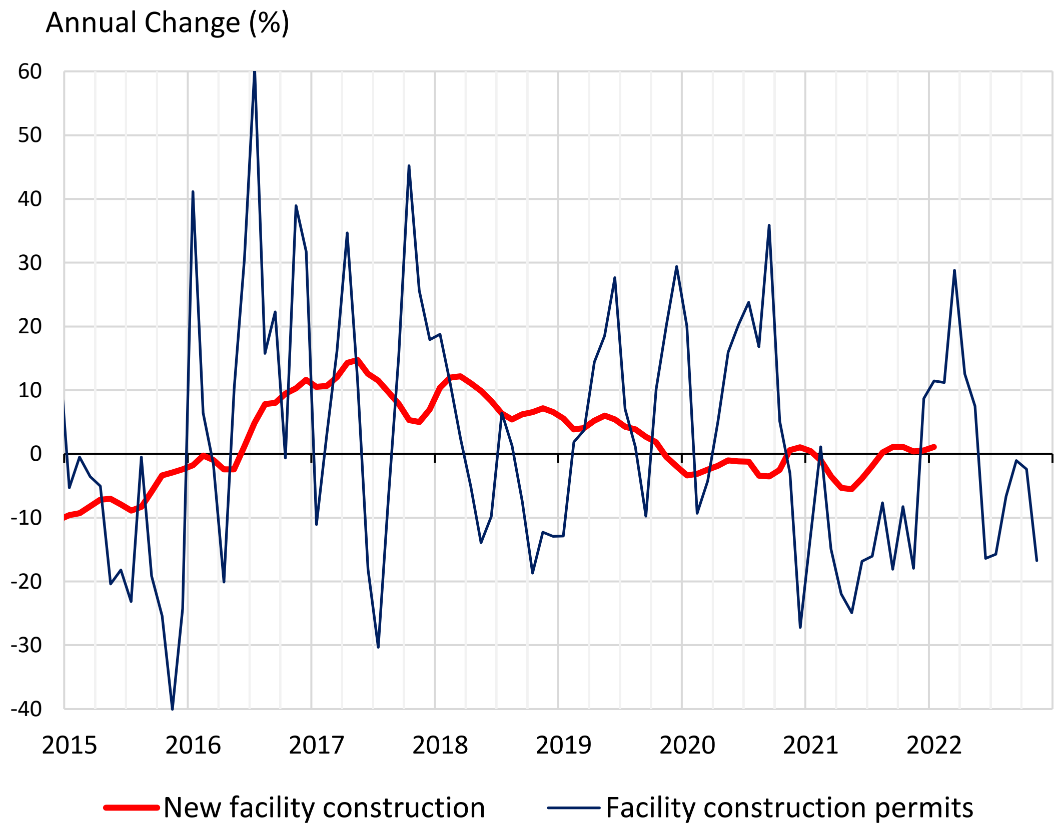
Slowing housing construction will pull new construction volume and revenue into a decline at the end of the year



Production volume will still grow this year

Building construction volume will begin to decline only at the end of the year – facility construction will already pick up early in the year

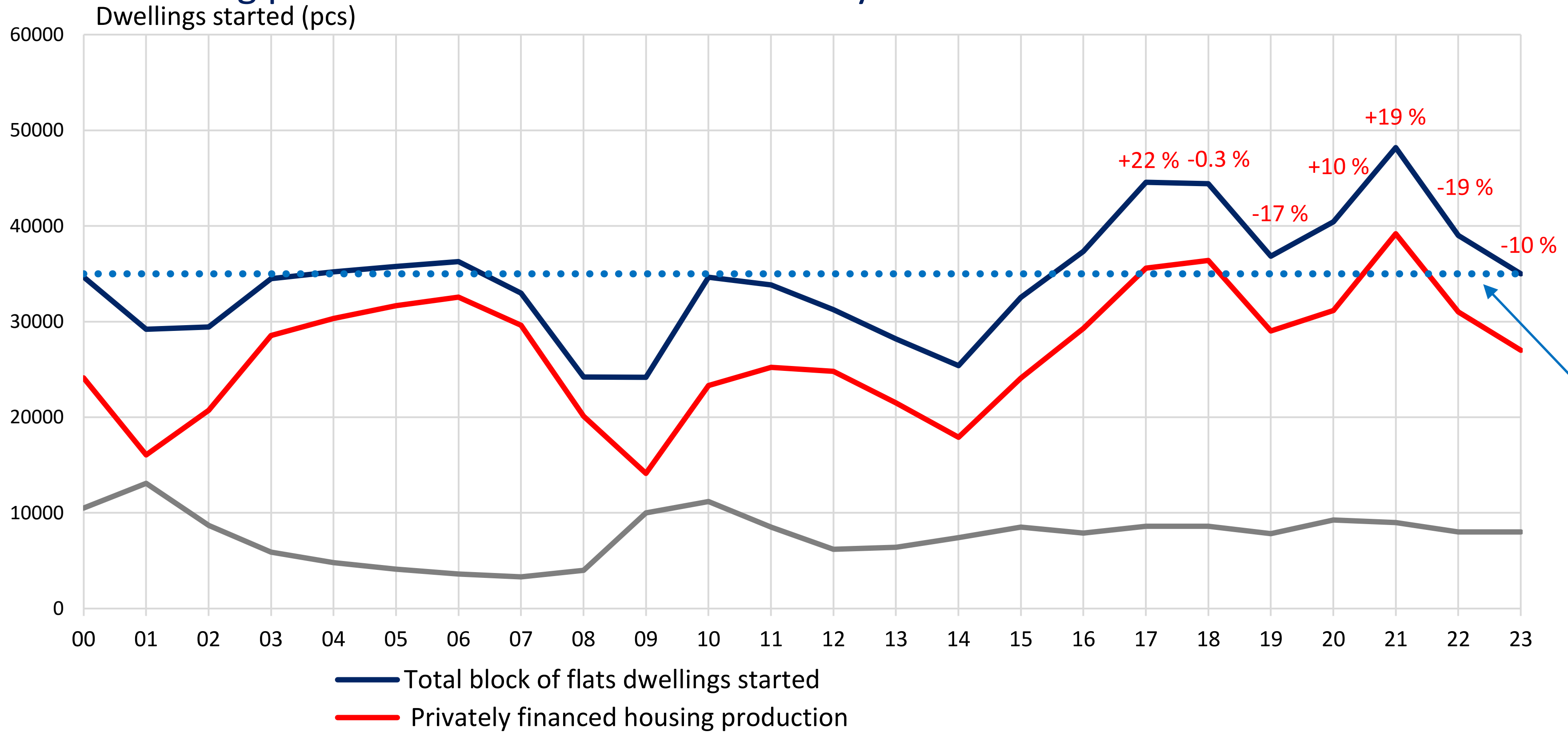




Source: Statistics Finland

Housing construction will slow down to a comfortable level

Calculated housing production need will be met next year as well



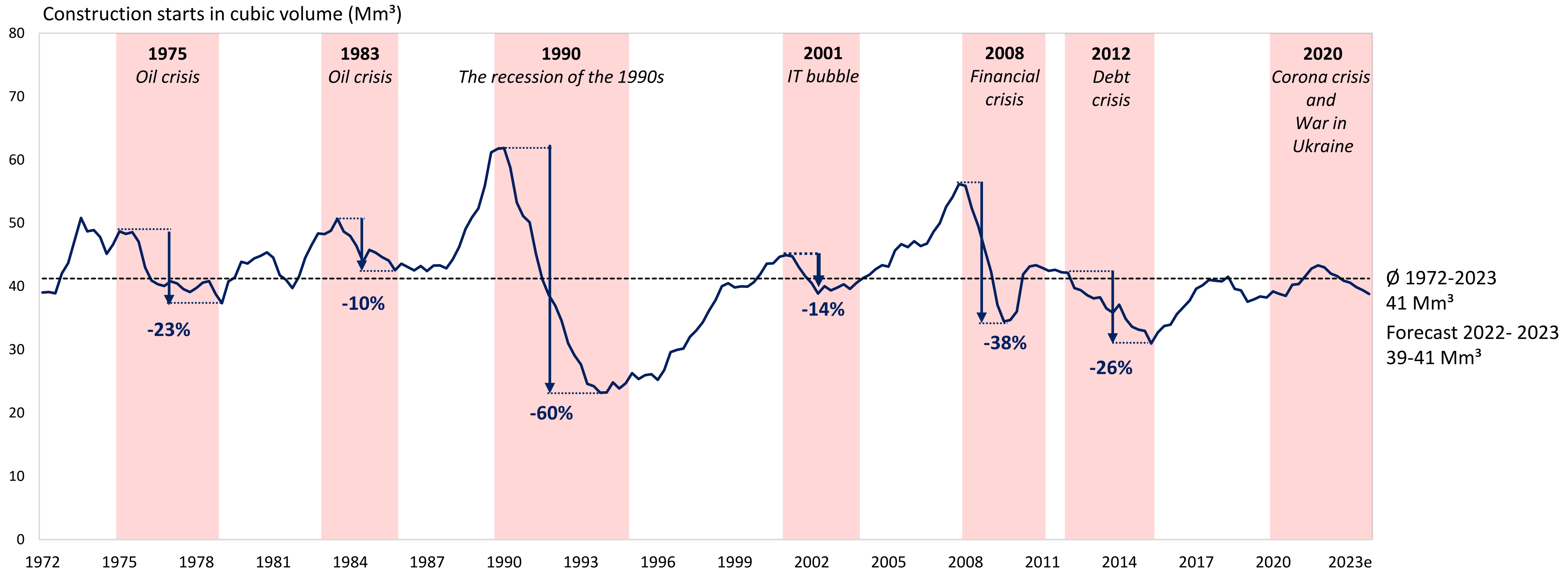
	Dwellings started	%
2021	48000	+19
2022e	39000	-19
2023e	35000	-10

According to VTT Technical Research Centre of Finland Ltd's housing needs calculations (June 2020), a total of 700,000 new dwellings will be needed in the next two decades, or 35,000 each year. 90% of the need is targeted at the fourteen largest urban regions. The share of the Helsinki sub-regional area is half.

Source: Statistics Finland, VTT Technical Research Centre of Finland Ltd, Housing Finance and Development Centre of Finland (ARA), Confederation of Finnish Construction Industries RT

Fluctuations in crisis-sensitive Finland will always show in construction

During crises, cubic volumes of starts have fallen 30% on average and 10% minimum – current situation is comparable to oil crise



Confederation of Finnish Construction Industries RT forecast 2022-2023*

Construction Total in 2020
36.9
BILLION €

Construction of new buildings

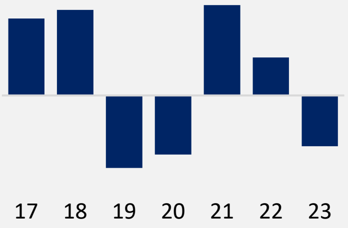
15.9 BILLION €

Housing

7.4 BILLION €

2020: -6.9 %
2021: 10.7 %
2022: 3.0 %
2023: -7.0 %

The slowdown of block of flats construction will pull next year into the red. Single-family house construction will continue to grow. Housing construction will remain at a good level.

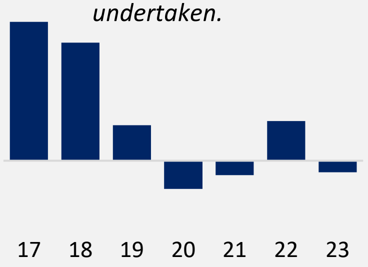


Premises

8.5 BILLION €

2020: -1.9 %
2021: -1.0 %
2022: 4.0 %
2023: -3.0 %

Facility construction will become the driver of construction growth. Investments will be stalled by uncertainty. Some projects will be postponed, but most will be undertaken.



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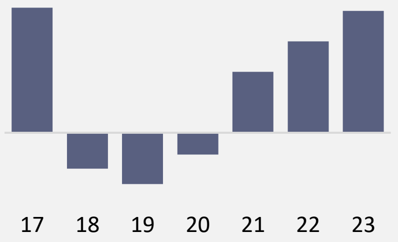
Renovation

14.0 BILLION €

Housing and facilities

2020: -0.4 %
2021: 1.2 %
2022: 1.5 %
2023: 2.0 %

Renovation will continue to grow through the forecast period. The weak economic situation in municipalities slows down public renovation projects.



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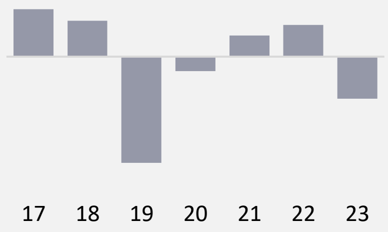
Civil engineering

7.0 BILLION €

2020: -0.7 %
2021: 1.0 %
2022: 1.5 %
2023: -2.0 %

Civil engineering will decrease next year. Rapid cost rise, drop in railway projects and poor investment ability of municipalities will weigh on the industry.



= Construction in total*: 2021e: +1.5 % **2022e:** +2,0 % **2023e:** -2.0 %

***quantitative change**