

The impact of COVID-19 pandemic on the construction sector



Short turnaround presentation by project partners:

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How did your national government respond to COVID -19 crisis for the construction industry? Were national investments raised/lowered in number and volume of tenders issued and documentation being prepared?

- Tax reduction, newly built apartments and houses are subject to 5% VAT instead of 27%
- Support for renovation up to 3 million Ft (8.350 euro) and 50% of the total project costs.
- Tenders for technological development, purchase of new machines for SMEs.

What was and is the pandemic's impact on the construction industry in comparison with other industry sectors? How will the construction industry sector perform in economic terms in the year 2020?

The first wave had minimal effect on the construction sector, mostly logistical problems, some other sectors felt the negative effects much more.

During this second wave the virus has a bigger impact on our country, but the measures are not so strict then before, companies are still operating and trying to minimize contacts at the workplace. Despite the epidemiological measures taken, covid also appeared in the construction industry from the beginning of October. This slows down activity in several places, resulting in deadline delays. This year certainly will be a bad one for the industry, the decrease compared to the previous year is 11% until September and probably will be bigger at the end of the year.

How did or is the pandemic affect/ing the execution of construction projects?

Orders in the construction sector have declined since August 2019, the construction industry has entered a downward period in a five-year investment cycle. During the pandemic private orders are low because of the uncertainty and public orders have decreased by a quarter. The delays are more common than usually and private investments have been put on hold.

Were there any major changes due to pandemic in the construction industry in your country, for example: redundancies, insolvency, corporate bankruptcies ?

So far we have not experienced major changes, but small enterprises will certainly feel the effect of the economical setback. Regarding the labor situation the closing of the borders had a double effect, foreign workers left the country and those who otherwise work abroad stayed at home.



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The budget for construction public tenders in year 2020: 994 mln EUR.

Plan for construction public tenders budget in year 2021: 1 066 mln EUR.

The positive government attitude toward the construction sector resulted in the record budget available for construction tenders, considerably higher in year 2021, especially tenders for infrastructure projects (value of ca. 1,1 bln eur).

For short time local communities could suspend construction work, but those cases were few.

What was and is the pandemic's impact on the construction industry in comparison with other industry sectors? How will the construction industry sector perform in economic terms in the year 2020?

Pandemic did not have major impact on construction in 2020 (as well as food industry, pharmaceutical industry, online retail). Other services sectors performed much worse (tourism, organization of mass events-sport, cultural, music, business).

The value of construction put in place in the first nine months of 2020 decreased by 2.4% compared to the same period of the previous year 2019 (as regards buildings it went down by 5.2% and as regards civil engineering by 0.9%).

How did or is the pandemic affect/ing the execution of construction projects?

The Slovenian government limited construction industry only with prohibition of construction works execution in inhabited residential buildings! Craftsmen were affected by this measure, whereas construction companies not very much. All other construction activities were not affected (limited or cancelled), and construction works could continue under strict OSH measures.

Bigger problem were cross border construction services (AUT, HR, IT, HUN). The biggest problem was with posted workers and rapid weekly border crossing governmental COVID-19 rules. Also, workers from third countries encountered problems in visiting their families in Bosnia, Serbia etc

Were there any major changes due to pandemic in the construction industry in your country, for example: redundancies, insolvency, corporate bankruptcies ?

No.



How did your national government respond to COVID -19 crisis for the construction industry? Were national investments raised/lowered in number and volume of tenders issued and documentation being prepared?

In Cyprus the government responded immediately to the crisis for the construction sector and with the intervention of our federation had included from the beginning the construction sector in the plans to support the economy but for the benefit of all employees.

Due to the universal lockdown in early 2020 there was a reduction in the volume of offers.

What was and is the pandemic's impact on the construction industry in comparison with other industry sectors? How will the construction industry sector perform in economic terms in the year 2020?

The pandemic has brought a big financial costs to the construction industry, businesses, project delays, adaptation to stricter safety and health conditions, but it continues to provide the country's gross national product, compared to some sectors such as the tourism sector, these changes brought to us by the pandemic.

How did or is the pandemic affect/ing the execution of construction projects?

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Were there any major changes due to pandemic in the construction industry in your country, for example: redundancies, insolvency, corporate bankruptcies ?

The pandemic brought significant financial costs to several companies that could not afford it.

As far as redundancies are concerned, there has been a safeguard by the state so far to avoid them, since it has been set as a condition for participation in support programs not to lay off staff.

Some redundancies in our country have begun and are expected to continue due to other factors that influenced this time in combination with the effects of the pandemic such as the cessation of the investment program.

In addition to the negatives brought by the pandemic, the positive brought to our country is the need to accelerate digital technology in government services.



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Greek government is being developing the Recovery Plan, based on five cycles, namely Employment and Social Cohesion, Digital Governance, Infrastructure and Transport, Productive Transformation and Private Investments. The monitoring of projects to be selected for funding is under the responsibility of an Executive Committee, along with strong involvement of ministries and stakeholders. Construction sector stakeholders foster the need for addressing significant funds directly to the construction sector. To this light, Renovation Wave and renovation of buildings, is in the core priorities of the National agenda.

What was and is the pandemic's impact on the construction industry in comparison with other industry sectors? How will the construction industry sector perform in economic terms in the year 2020?

In Greece, 69% of the total turnover of Greek businesses were directly affected by the Covid 19 pandemic as a result of limitation or even cease of their operations. One of the hardest hit sectors in Greece has been tourism, which is also a leading job creator and driver of the Greek economy.

Focusing on the construction sector, strong decline in the sector has been occurred in the second quarter of 2020 (26,6%), compared to the increase of 7% observed in the same period last year. In addition, during the second quarter 18,6% decline in Construction Projects was observed, as well as strong losses in Civil Engineering Projects (-31.3%).

How did or is the pandemic affect/ing the execution of construction projects?

Besides the fact that the construction activity has never ceased during the pandemic crisis, significant barriers and delays were faced in construction projects and the sector's activity in general, resulting to an overall reduction in productivity. In a nutshell, the work on the construction sites has continued under strict compliance with the respective sanitary protocols applied to all Greek territory, as well to all economic activities and sectors. All in all, contract delays were occurred due to Covid-19 (force majeure) along with arise of additional costs for the organization of worksites (due to the compliance with protocols etc)

Were there any major changes due to pandemic in the construction industry in your country, for example: redundancies, insolvency, corporate bankruptcies ?

A decrease of 14.3 thousand people or 9.5% was occurred in the Construction sector, in the last semester. In addition, employees were reduced to 136.1 thousand in the sector. Apart from this, at present, there have not been identified significant market fluctuations. Still, this is an issue of great concern for the forthcoming period and year.

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In 2021, the Ministry of Regional Development and Public Works is likely to launch the new residential building renovation program, funded by the EU. Besides residential buildings, the program will include small buildings with up to two households and renovation of public buildings, such as schools, kindergartens, administrative buildings. A new aspect is the focus on the engineering solutions – thermal pumps, solar solutions, and LED lighting in the public sector, among others.

What was and is the pandemic's impact on the construction industry in comparison with other industry sectors? How will the construction industry sector perform in economic terms in the year 2020?

The pandemic situation and the national lockdown affected the entire economy; however, the impact on the construction sector was not as severe as on other sectors, such as entertainment, tourism and retail. Still, during the third quarter of 2020 compared to the same period in 2019, the construction sector has registered a negative growth of 4.4%. The building construction has declined by 6.8%, the civil engineering - by 0.9%, and the issuance of building permits – by 7.8%.

The building sector is relatively stable. The statistics show that the construction of new buildings does not seem to be in a crisis. In terms of administrative buildings, 25 new construction project has started during the third quarter of 2020, which corresponds to a growth of 92.3% compared to the same period in 2019. Nevertheless, more and more offices are getting empty and currently the free office spaces amount to 15 000 square meters. As for the housing sector, the new buildings placed in services are 2 396 during the third quarter of 2020, which corresponds to a growth by 13.3% compared to the same period in 2019. The projections for 2021 show that the market will remain unstable.

The civil engineering value retains its volume and registers growth. The industrial construction, however, is declining. As far as the construction is too inertial sector, we believe that the consequences of the crisis will have a more significant reflection in 2021.

How did or is the pandemic affect/ing the execution of construction projects?

The execution of the construction projects has not been significantly affected by the crises. The work on the construction sites has continued under strict compliance with the sanitary-epidemiological measures. The administrative staff of the construction companies is predominantly working remotely, whenever possible. No severe delays of deadlines were observed

Were there any major changes due to pandemic in the construction industry in your country, for example: redundancies, insolvency, corporate bankruptcies ?

2020 was not marked by severe market fluctuations. We are however concerned about next year.



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March-May 2020 due to strict "Covid" measures - some construction companies in Croatia worked with reduced intensity and used state aid to preserve jobs in order to protect health, preserve jobs and income of workers. / according to the SGH survey 1/3 of the employers with whom we were organized used measures to a different extent.

What was and is the pandemic's impact on the construction industry in comparison with other industry sectors? How will the construction industry sector perform in economic terms in the year 2020?

Companies in the construction sector work continuously / slight growth in the volume of construction works and growth in employment, salaries of workers in the sector are approximately 18% lower than the Croatian average; the problem of lack of skilled labor continues ... Budget of the Republic of Croatia for 2021- growth for aid by 37% (EU projects, reconstruction after the earthquake in Zagreb and surroundings).

How did or is the pandemic affect/ing the execution of construction projects?

Major project Pelješac brigde is extended for 6 months.

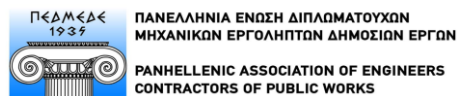
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Collective bargaining at the sectoral level and at the level of employers to increase wages - due to the unfavorable epidemiological situation, the negotiations lasted longer, and the achieved results of negotiations on wage increases and other rights were lower than expected and realistically possible.



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