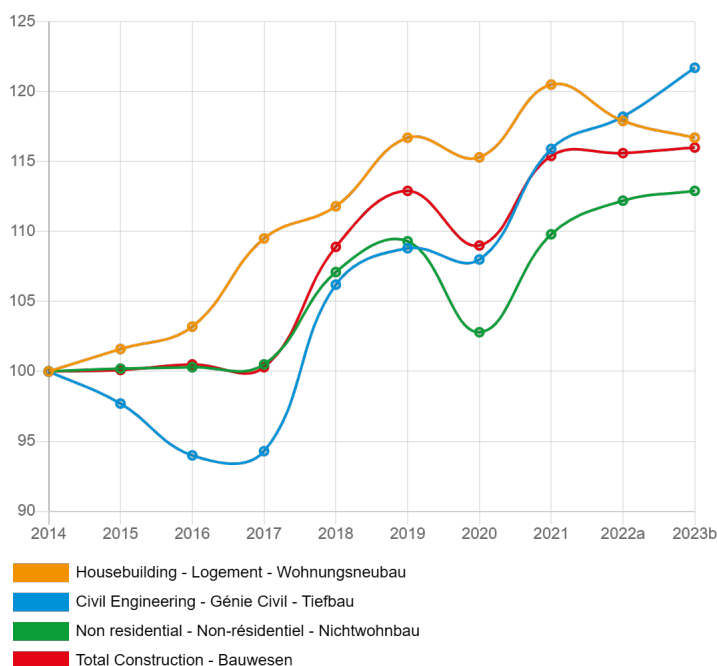


GDP 2021
€ 403
BILLION

POPULATION 2021
8,942,978

Total investment in construction in 2021
€ 49
BILLION

Investment in construction



General economic overview

Austria's economic expansion is decelerating rapidly as the international economy is weakening. Despite the expected slowdown in growth, inflation will remain high and cause real income in Austria to fall, which will dampen private consumption. The Austrian Institute of Economic Research (WIFO) forecast expects GDP to grow by 4.7% in 2022, followed by a stagnation with 0.3% in 2023. Despite high production increases, the construction industry stagnated in 2022. The massive increase in construction costs, which are expected to rise by around 10% in 2022 after 2021, dampened real growth in the construction industry very significantly. In combination with the already expected downward trend in residential construction, 2023 will also see only low growth rates. The years 2024 and 2025 will then also be characterized by only weak momentum with growth rates below 1%, despite clear impulses in civil engineering.

Overall construction activity

The year 2021 is dominated by the economic recovery after the Corona pandemic. GDP grew particularly strongly in the first half of 2021 in those sectors that were affected by the restrictions in the previous year. The labour market also continues to recover rapidly and has already returned to pre-crisis levels. However, the increase in infections from August onwards has somewhat clouded the outlook for the second half of the year and will dampen the catch-up process somewhat. The economic upswing is nevertheless relatively strong overall, but sectorally heterogeneous. The WIFO forecast for 2021 is now +4.4% (real). Due to expected complete normalization of the economic situation, significant growth impulses of 4.8% can then also be expected in 2022. From 2023 onward somewhat weaker growth rates are again expected.

The construction industry not only successfully weathered the Corona pandemic but was also able to report solid growth in 2021 even without a recovery effect. The decline of 2020 (-3.7%) is clearly overcompensated this year with 5.4%. This is remarkable as construction production has been affected to some extent by material and supply bottlenecks. However, the shortage of materials has at most dampened the upswing in the construction industry, but not prevented it. All sub-sectors of the construction industry will show significant growth movements in 2021. In 2022, above-average growth of 2.6% is also expected, but at a lower level without the recovery effect of 2021. 2023 and 2024 should then only see a growth of just under 2%.

Housebuilding

Austrian residential construction has already recorded three consecutive quarters of negative growth, clearly underlining the segment's long expected downward trend. After almost a decade of continuous expansion in building permits, the tipping point was reached in 2019, heralding the slow downturn in residential construction. The decline is nevertheless somewhat muted, primarily due to a continued favorable demand environment. While new construction is suffering the greatest losses, renovation is likely to show prospective growth due to ecological and energy-related factors. Government support measures and high energy prices are key factors. Overall, residential construction is expected to decline at least until 2024.

Prices of construction materials

After a brief easing at a high level, the costs of key building materials rose sharply again at the beginning of 2022 until the third quarter. The war in Ukraine and the associated sanctions exacerbated the price and availability of important building materials, such as reinforcing steel. Gas and electricity prices (Merit Order System) multiplied compared to 2020. Although the construction industry per se produces only a little energy-intensive, high energy costs act as a cost driver, at least indirectly. Building materials such as bricks, cement, insulation materials, etc. undergo energy-intensive manufacturing processes. With high energy costs, the procurement costs of these price-sensitive building materials also increase. Many manufacturers have already announced noticeable price increases for 2023. Falling demand for construction is likely to dampen price inflation only slightly.

Non-residential construction

Non-residential construction was still very much under the impression of the economic recovery in the first half of 2022, driven first and foremost by industrial construction, which benefited from high demand, and commercial construction, which was supported by the particularly strong consumer spending and return of tourism in the areas of gastronomy and accommodation. In addition, public investment in education and health developed favorably, supporting the market. The outlook for 2023 deteriorated drastically in view of rising construction costs and the economic slowdown, which is likely to lead to a decline in new non-residential construction. However, the overall development remains slightly expansive (+0.6%) in 2023 due to increased refurbishment activities, which are supported by numerous public funding programs. Stronger momentum in individual non-residential construction segments can, however, only be expected in 2024 and 2025 in the context of an improved economic environment.

Civil engineering

Civil engineering developed favorably in 2022 (+2.0%) due to strong government investment activity, and despite a difficult economic environment, further expansion is expected in 2023 (+3.0%). In civil engineering, government objectives are mostly under the heading of sustainability. In 2022, for example, major investments will be made in the railway infrastructure sector to make public transport more attractive, while in 2023 and 2024 investments will increasingly be directed towards the energy sector with the aim of ensuring security of supply and promoting renewable energy sources, which are a key to achieving the climate targets. The expansion of broadband and 5G will also contribute to growth in total civil engineering in 2023 and 2024, which will slow down significantly towards 2025.

Per cent variation of investment in real terms on previous year investment Mln. € fixed prices													Sectors 2021a 2018 2019 2020 2021a 2022b					1. Building								
39,067	4.0	4.2	-4.3	5.3	2.8	1.1. Housebuilding		21,407	2.1	4.5	-0.6	3.2	2.2	1.1.1. New		14,947	3.5	4.8	-0.8	3.0	1.8	1.1.2. Renovation		6,459	-0.9	
3.9	0.0	3.5	3.2	1.2. Non residential (c)		17,660	6.3	3.9	-8.6	8.0	3.5	1.2.1. Private		N/A	N/A	N/A	N/A	N/A	N/A	1.2.2. Public		N/A	N/A	N/A	N/A	N/A
N/A	2. Civil Engineering		9,218	12.6	2.9	-1.0	5.9	1.8	(1 + 2) Total Construction		48,285	5.5	4.0	-3.7	5.4	2.6	a: estimate - b: forecast - c: incl. R&M									
Number of building permits in residential construction													2018 2019 2020 2021a 2022b		single dwelling		18.400	18.800	19.800	21.000	21.200	collective dwelling		41.000		
48.800 42.400 43.200 40.800 other types of dwelling													n/a	n/a	n/a	n/a	n/a	Total		59.400	67.600	62.200	64.200	62.000	(Collective dwellings and other types of buildings: in number of flats)	