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# Market Drivers in the European Construction Industry

Bucharest, May 15<sup>th</sup> 2012

# Interconnection Provides Data for Companies Decisions



- Interconnection is the leading Institution for market data in the construction segment.
- Leading companies support our studies with aims statements, definitions of marketing strategies, competition perception and controlling of marketing measures.
- Interconnection covers its know-how through over 100 international market studies per year as well as some series of ad-hoc studies in the construction sector.
- Besides market data we offer ad-hoc studies with priorities in distribution analysis, pricing, market entrance strategies, customers satisfaction, image analysis, etc.
- Our analysts support company also with the implementation of data into deeds.

## Multi-Client Reports

- IC Market Tracking  
Market research on a quarterly/annual basis, forecasts for the total market; market shares; company and strategy portfolios, etc.
- IC Channel Tracking  
Annual tracking of the distribution system; detailed dealer profiles; dealer sales by brands; development of brands, distribution channels; dealer satisfaction with listed brands, etc.
- IC Price Tracking  
Monthly collected database with 800 prices; statistical analysis of prices; positioning of dealers by brands, product groups, technologies and distribution channels.
- IC Brand Position Tracking  
Annual brand image analysis by segments and technologies; brand awareness and brand recognition; brand potential, analysis of purchasing motives.

## Exclusive Ad-hoc Research

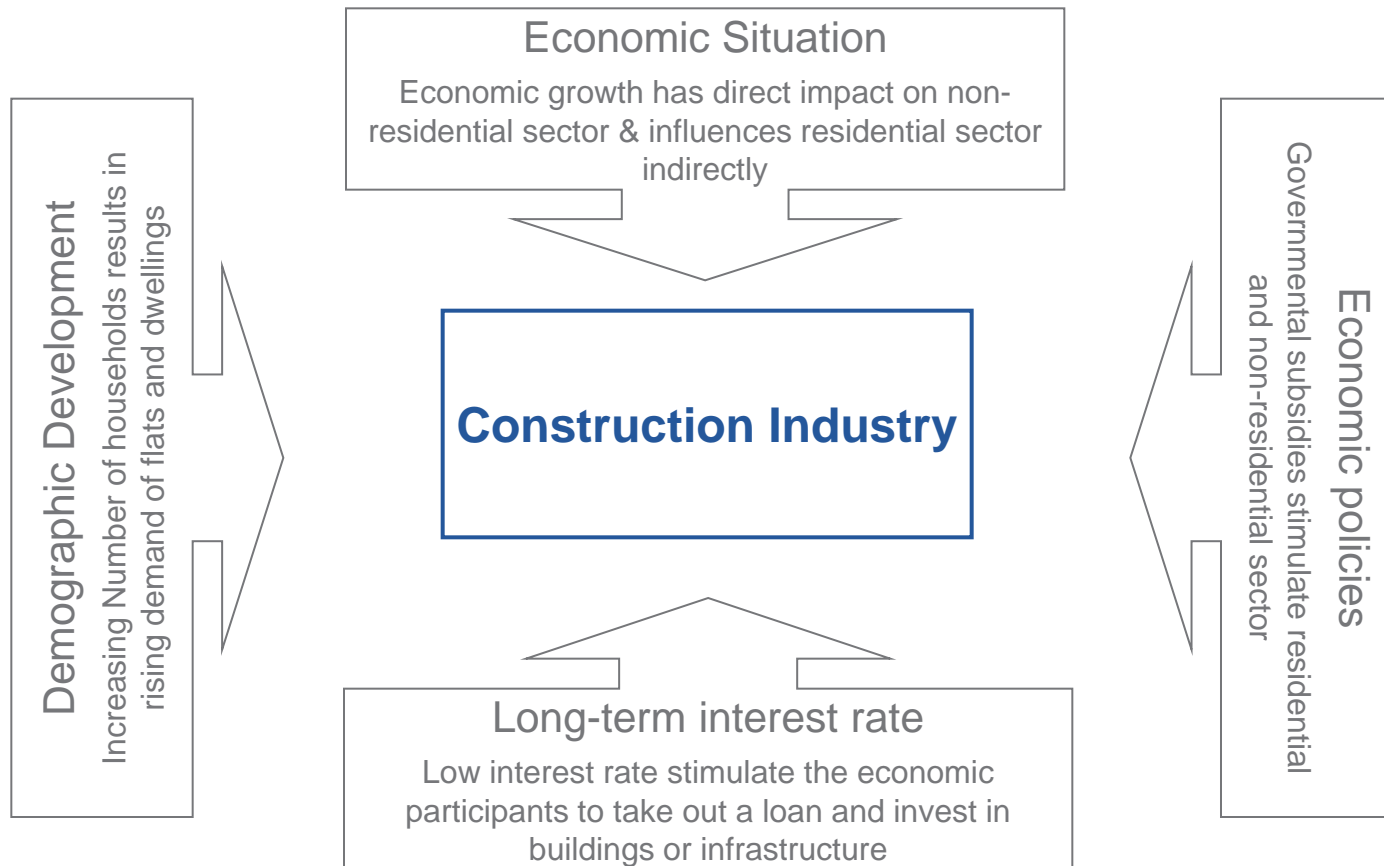
- Customer Satisfaction
- Market Analysis
- Market Entry
- Market Forecast
- Pricing Strategies
- Price Monitoring
- Distribution Analysis
- Brand / Image Analysis
- Brand Equity
- Geomarketing
- Product Tests
- Advertising Impact
- Focus Group Interviews

1. International Economy

2. National Economy

3. Demography

4. Construction Environment





# The Perils after the Crisis

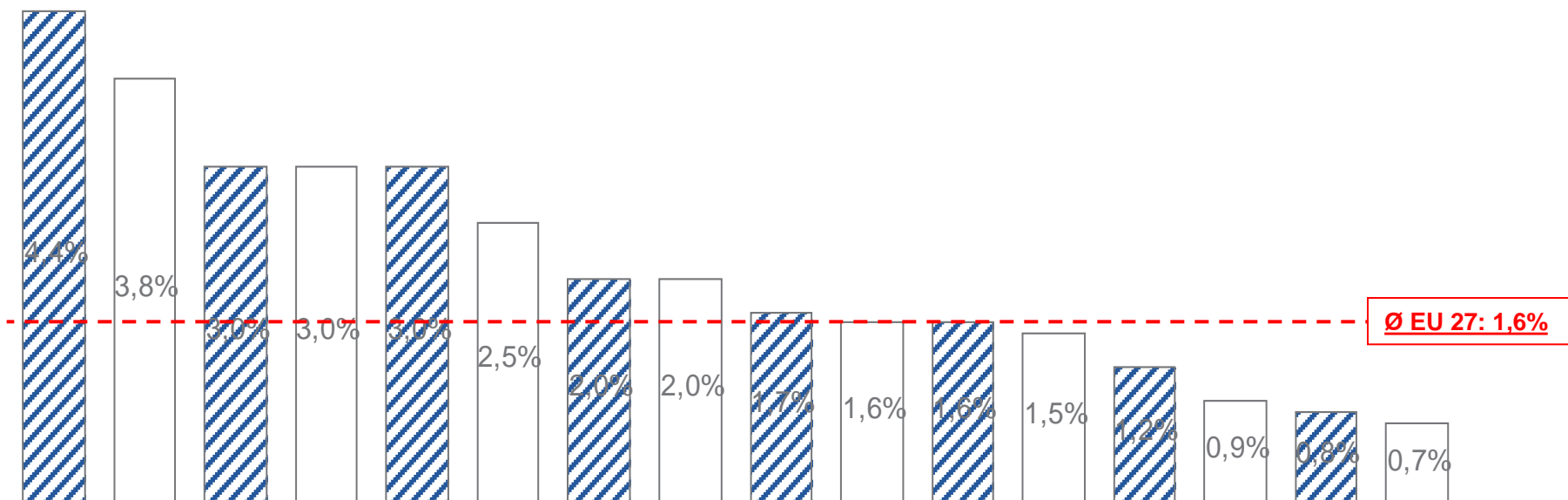
- The first wave of economic crisis is over
- Now follows the second period
  - With a high degree of national debts throughout Europe (GRE, POR, etc.), but also in the US and Japan
  - Austerity packages
  - Currency Problems
  - Non performing loans
  - Inflation
  - Other Risks



# Europe's Business Engine Not Among the Top 3

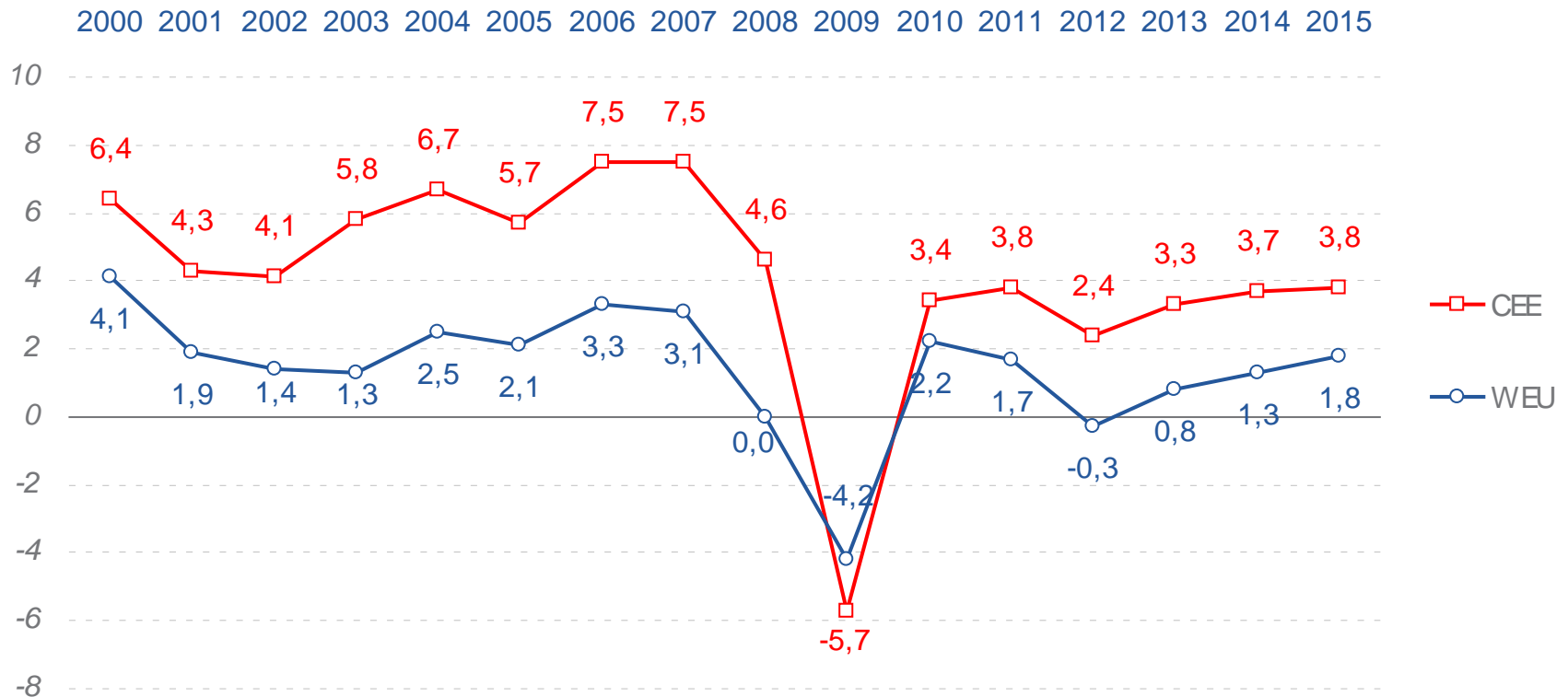
*GDP-Growth: Comparison of Growth 2011, in %*

SWE POL SVK GER SLO FIN CZE AUT SUI FRA NOR HUN ITA GBR DEN ESP



# Eastern Europe Proves to be More Dynamic

*GDP-Growth in %; Comparison between Western & Eastern Europe 2000 – 2015*

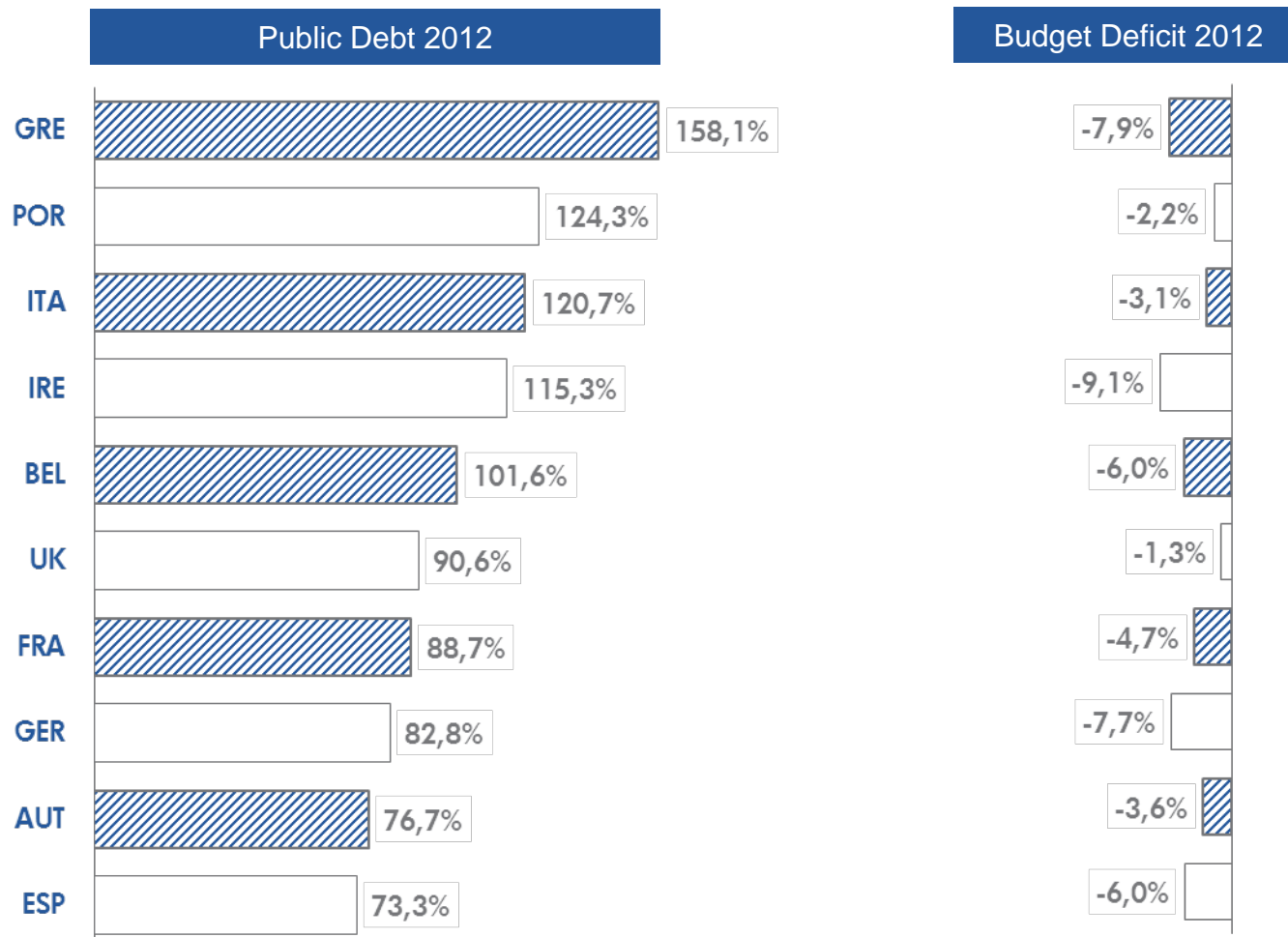






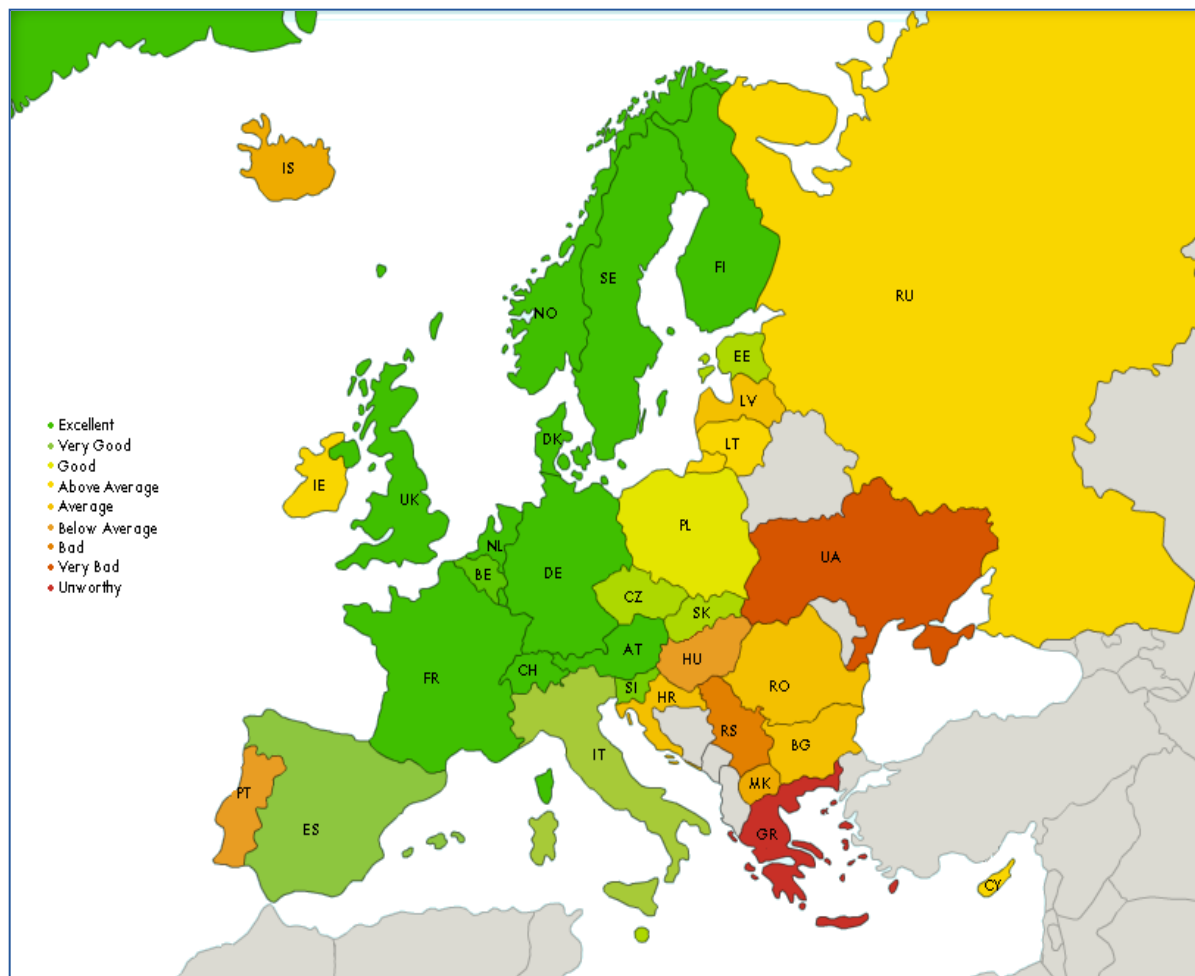
# Greece Ranks 1<sup>st</sup> When it Comes to Public Debts

*Europe: Public Debt in % of GDP, Budgetdefizit 2010 in %*





# North-South Division in Europe



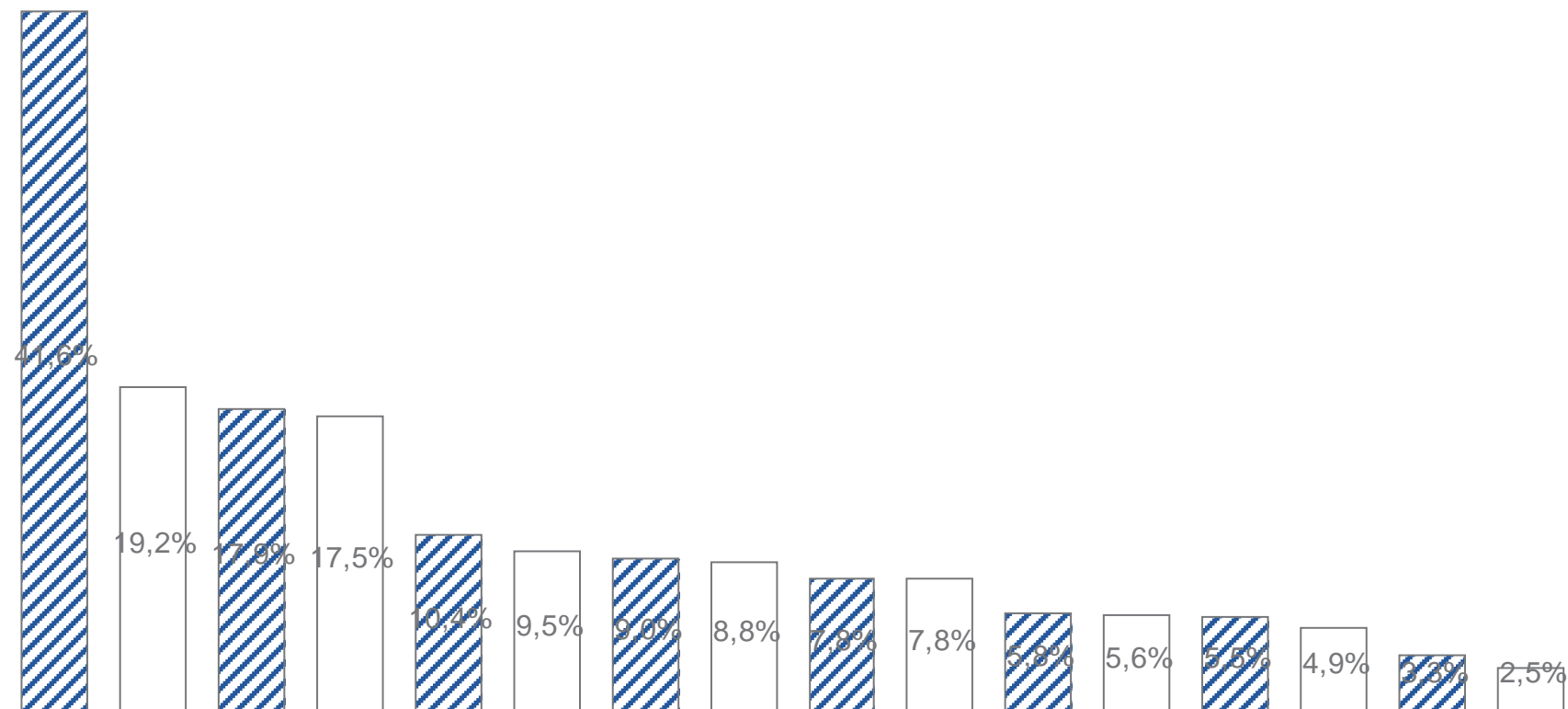
- Country Ratings in Europe



# More than 40% of Non-Performing Loans Lost in the Ukraine

*Non-Performing Loans: Share of non-performing Loans 2010, in %*

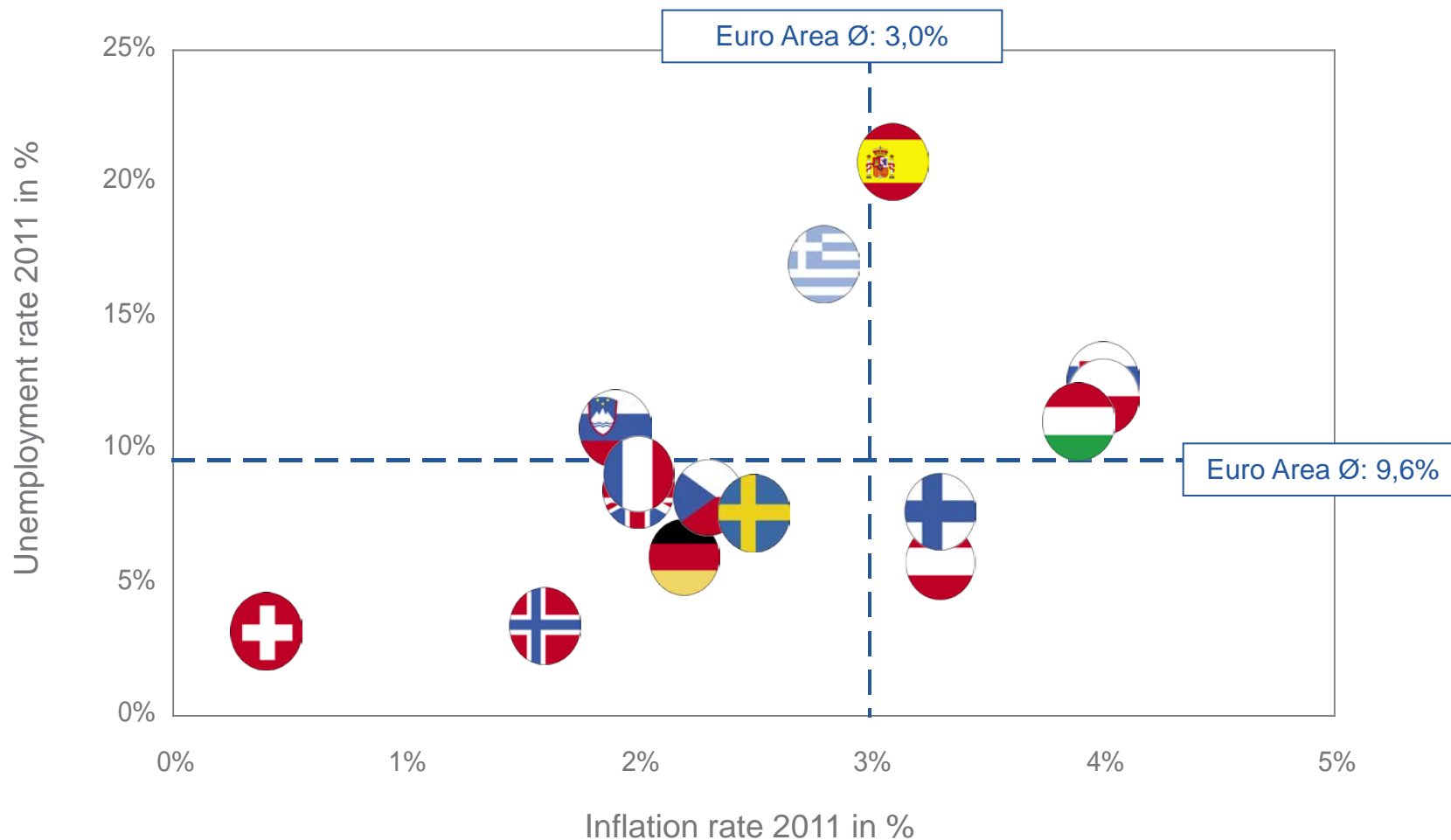
UKR LIT LAT ROU IRE RUS GRE CRO BUL HUN SLK EST ESP CZE POR SLO





# Spain with Highest Unemployment Rate

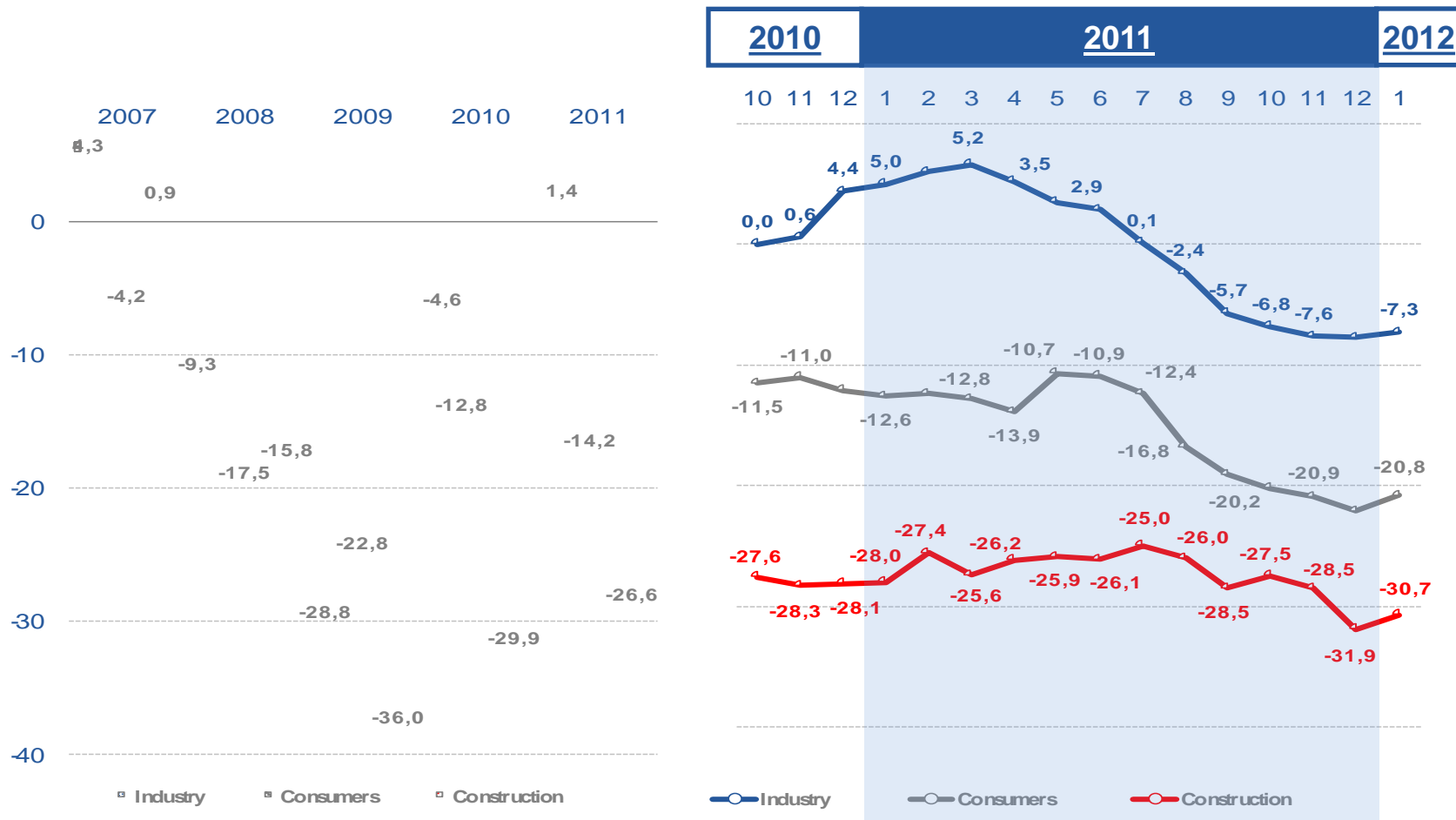
*Inflation-Unemployment Portfolio 2011 (EU-27 + Norway & Switzerland)*





# Consumers Confidence Still Low

EU: Indicators of Confidence



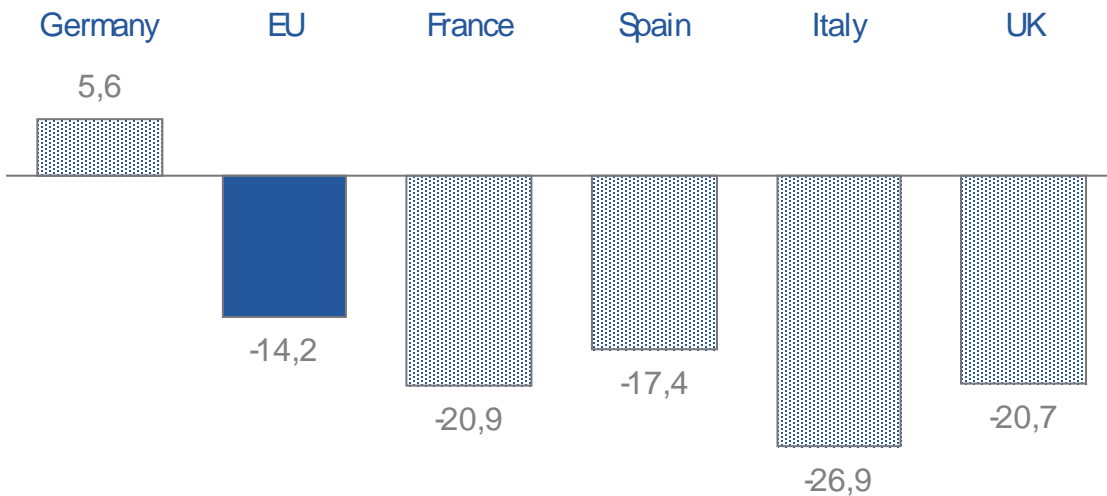
Source: EU-Commission 02/2012



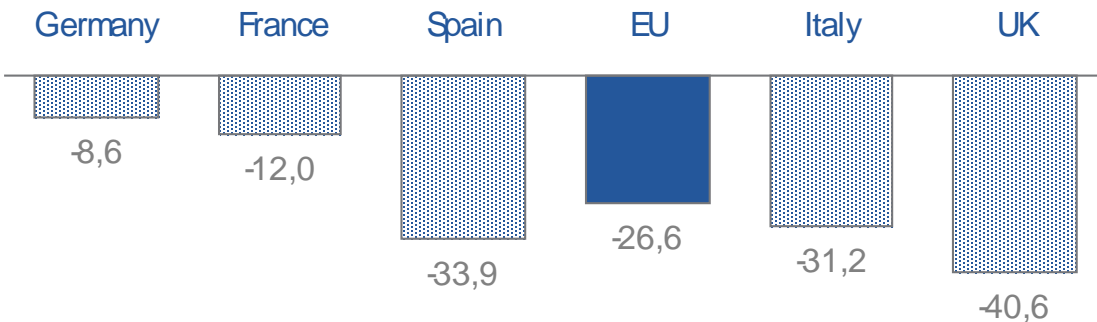
# Consumers Are More Confident than Construction Industry

Indicator of Confidence in Europe Top 5: 2012

Consumers



Construction





# It's the Economy, stupid...

- Lessons learned from the crisis:
  - Economic growth should be based upon export industry, not upon consumption or credit
  - Risks of banks should be in relation to size of national state
  - Corruption undermines development of middle class and leads to political risks
  - High national debt steals political scope
  - Debts are quick to make, but need decades to be reduced

1. International Economy

2. National Economy

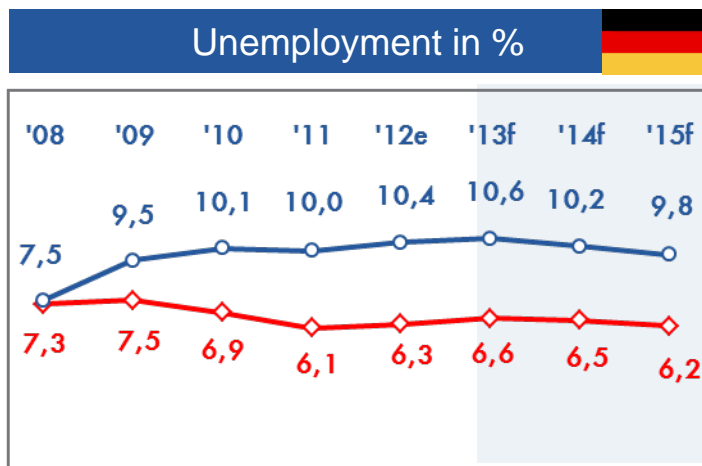
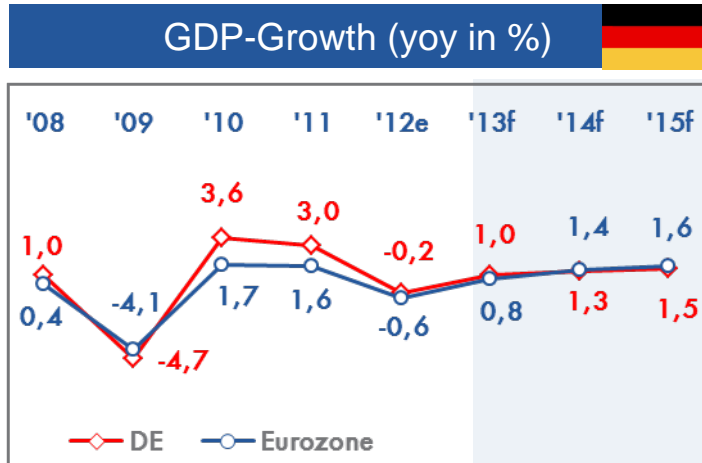
3. Demography

4. Construction Environment



# The Economic Powerhouse in Europe

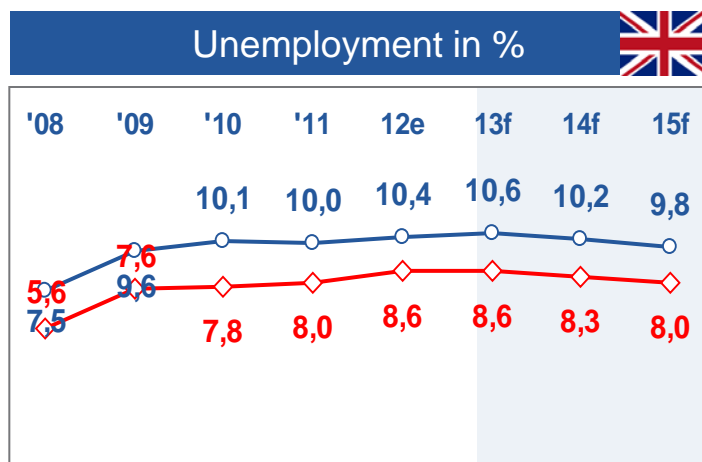
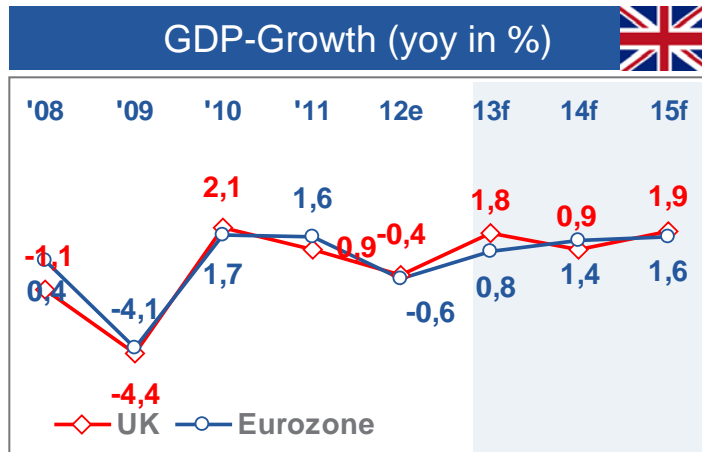
*Germany: Annual Change of GDP in %; Unemployment in %*



- 2011 turned out to prove Germany as a strong and resilient economy especially against the background of the weak Southern Euro-economies
- Due to Germany's strong competitive edge creating undesirable current account imbalances, measures to boost German domestic demand and consequently reducing exports are most likely.
- Against the backdrop of a persisting extremely low interest rate level this may benefit domestic demand with a strong impact on housing and construction activities.

# UK Sliding Into Recession Again

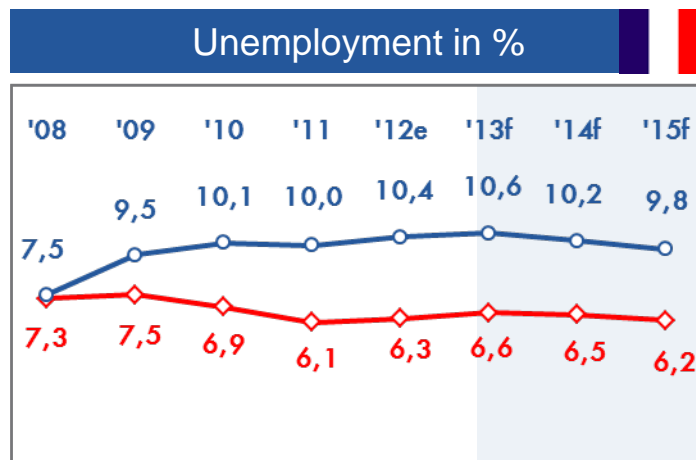
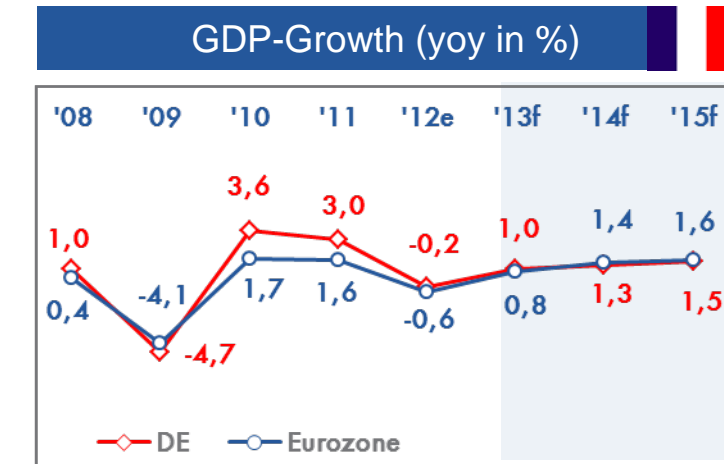
*UK: Annual Change of GDP in %; Unemployment in %*



- After a short period of growth in 2011 the UK is sliding into recession again
- An undesirable inflation exceeding 3% is putting pressure on the Bank of England against the background of the high sovereign debt
- Persisting high joblessness rate with political reforms under way to tackle this problem

# Account Deficit, Competitive Losses, High

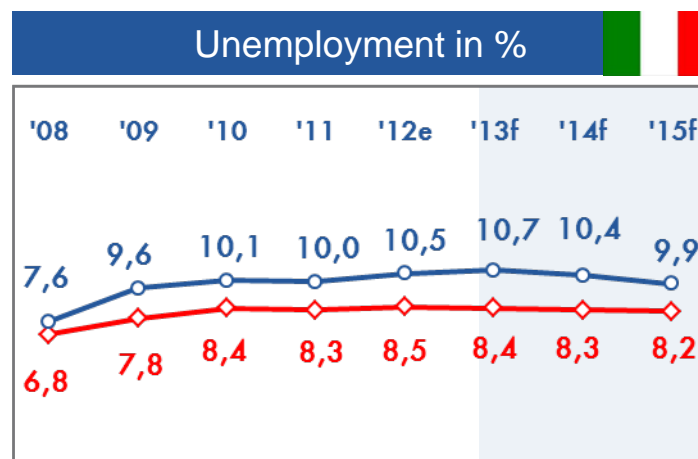
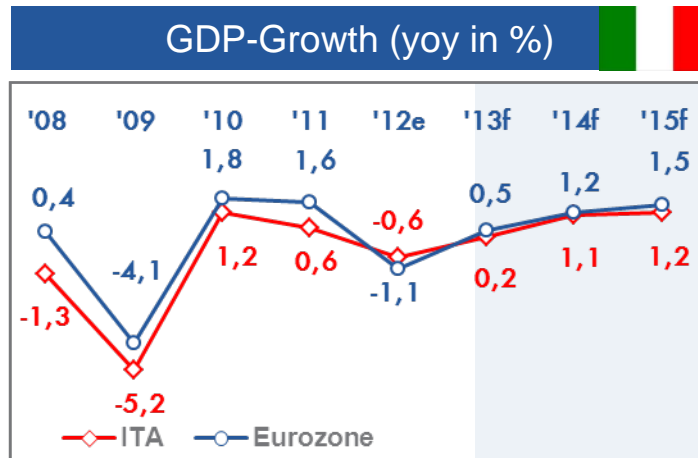
France: Annual Change of GDP in %; Unemployment in %



- Economic recovery still weak with GDP growth rate below 1%. Weak investments and account deficit.
- Inflated public sector and a labor market structured to hinder job creation
- State dominance in the economy accounting for a share exceeding 50% of the economy
- Prerequisites for a sustainable recovery still lacking

# Still Mired in Deep Recession

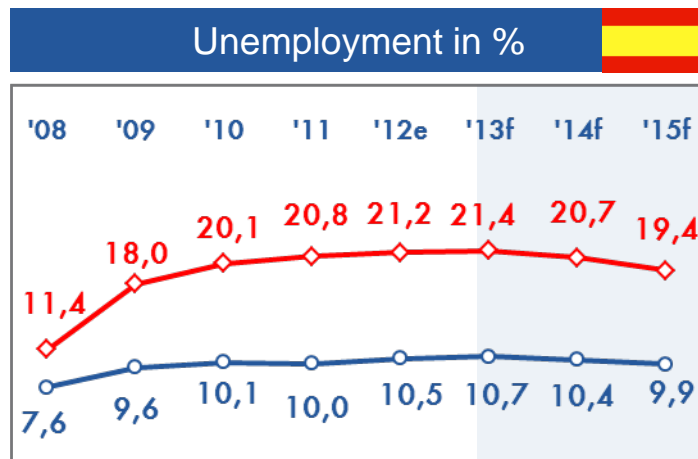
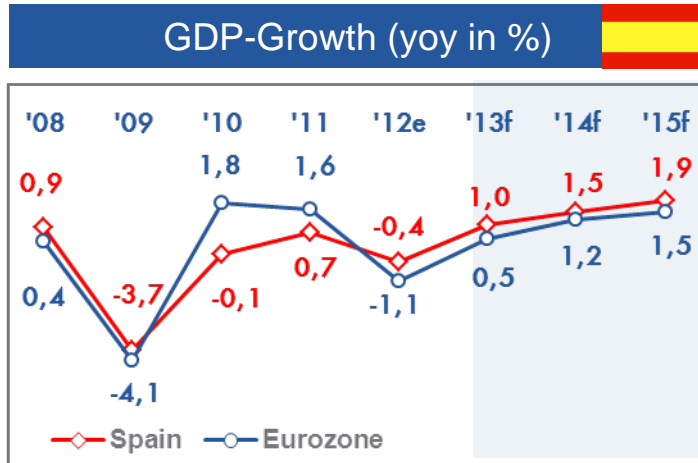
*Italy: Annual Change of GDP in %; Unemployment in %*



- Despite initial bold fiscal reform steps undertaken by government of technicians for reducing the deficit, growth oriented reform commitment has meanwhile stalled, especially on the labor market. This has lead Italy into a still deeper recession.
- Still persisting high youth joblessness rate of reaching almost the level of 30%; two-tier labor market; companies reluctant to hire because of a unique workplace protection for the incumbents
- Significant contraction of domestic demand

# Dramatic Situation on the Iberian Peninsula

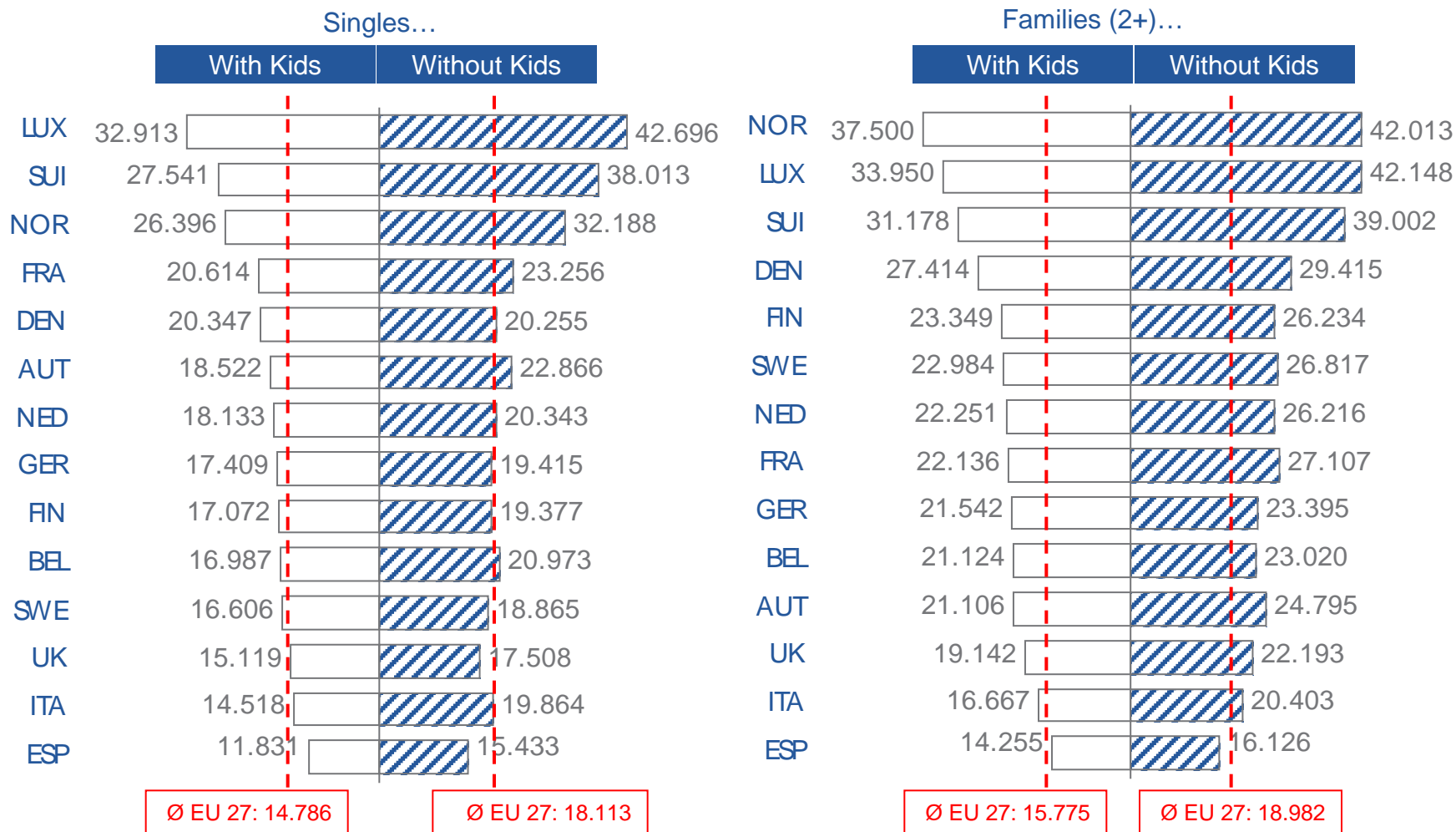
*Spain: Annual Change of GDP in %; Unemployment in %*



- Dramatic situation on the labor market, significant economic contraction. Joblessness rate of more than 20%, the highest in Europe
- Further economic contraction due to recession-inducing expenditure reductions in view of taming the deficit and bringing it in line with EU-guidelines
- Construction sector, previously the main economic driver still in the doldrums with housing prices in free fall
- Weak banking sector in need of huge amounts of capital for facing possible non-performing house loans

# Spanish Households with Lowest Income

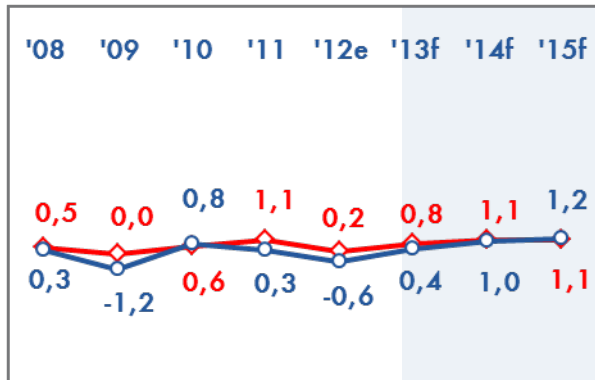
*Income: Net Income by Households in EUR*



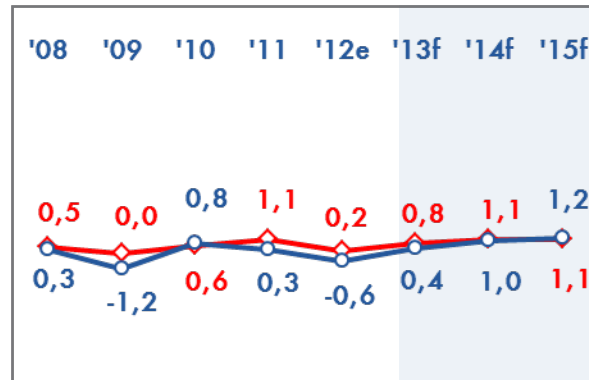
# Italy Faces Dramatic Slump

*Private Consumption in Europe Top 5: Annual Change in %*

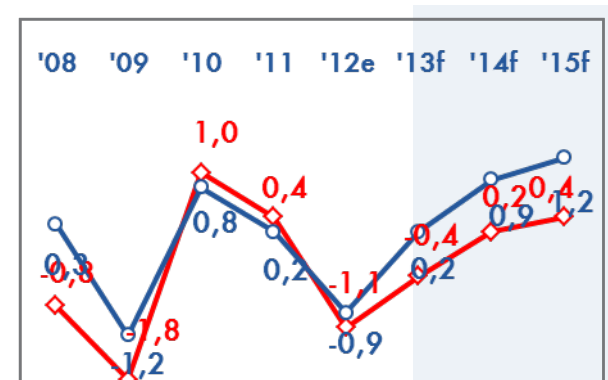
Private Consumption 



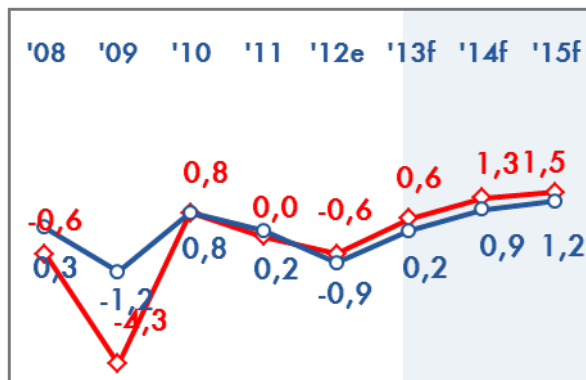
Private Consumption 



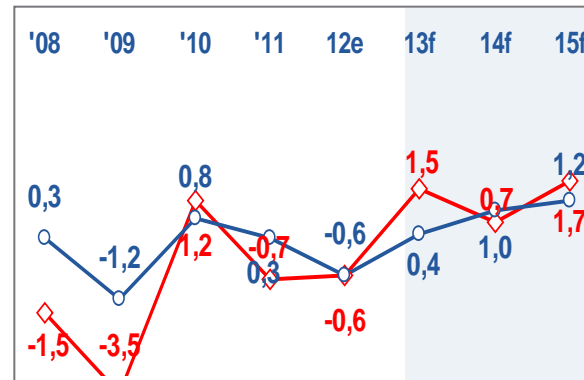
Private Consumption 



Private Consumption 



Private Consumption 



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2. National Economy

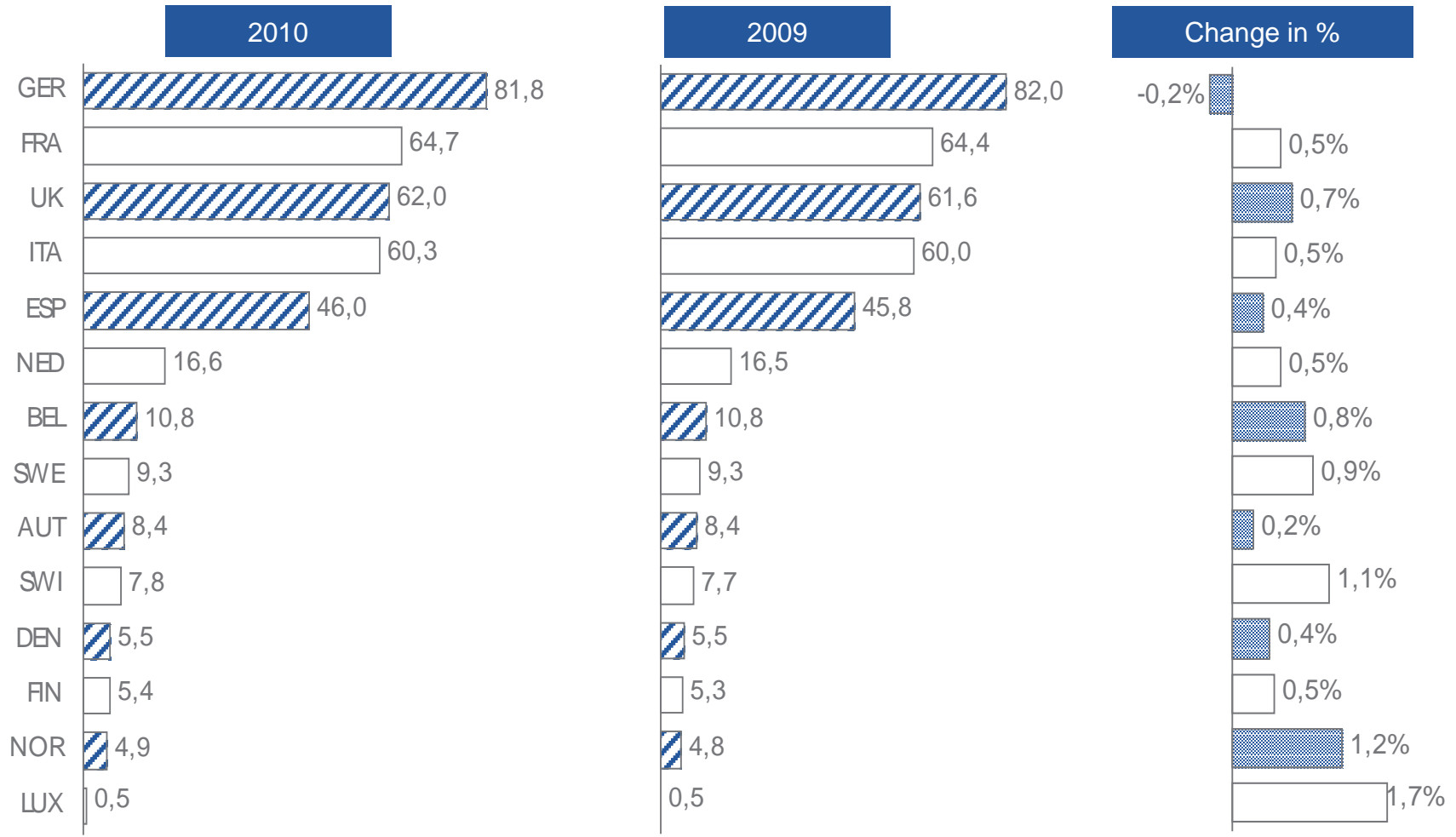
3. Demography

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# Germany the Only Country with Decrease

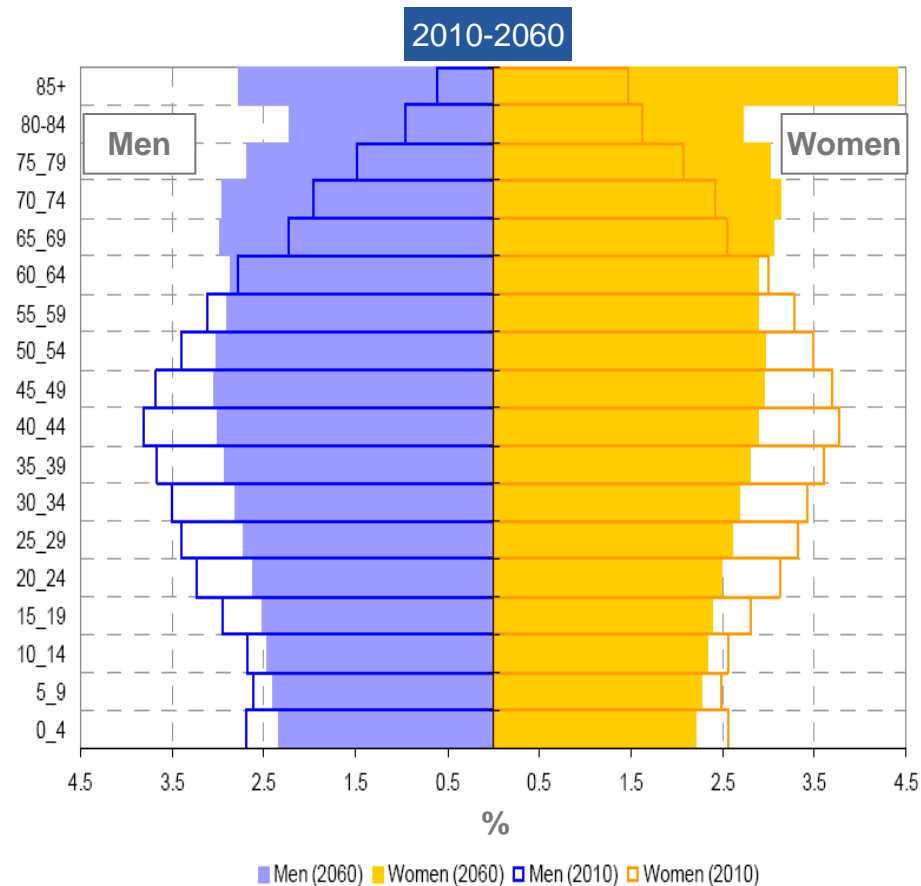
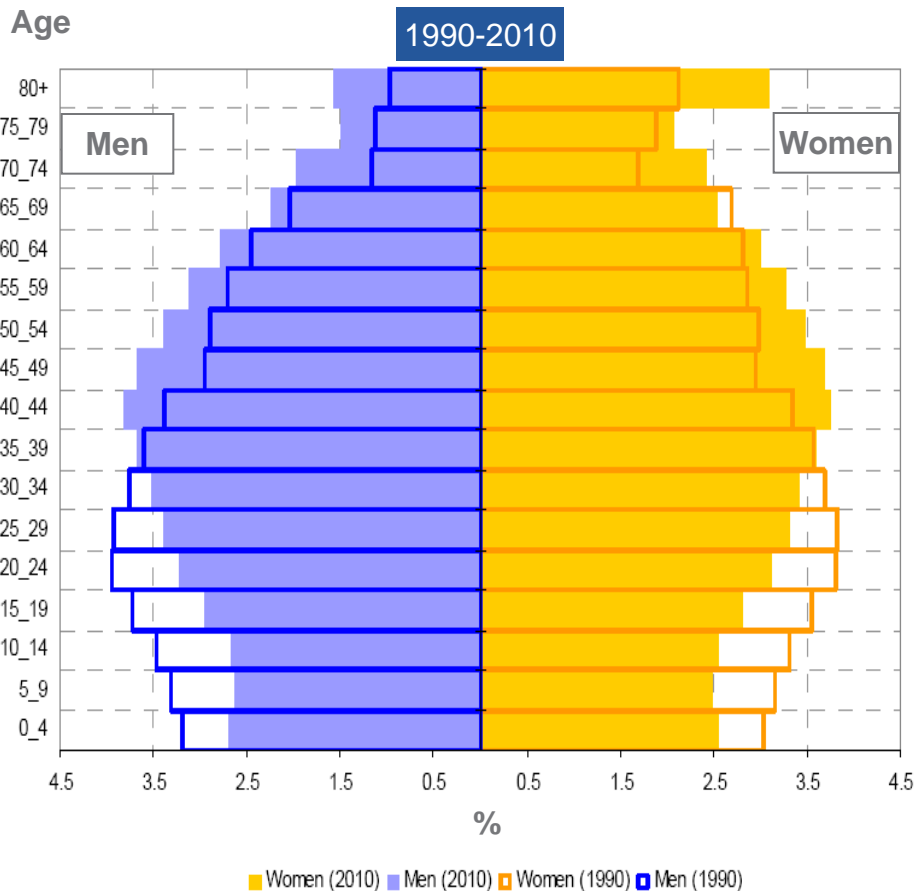
*European Population* in Mio. 2009 & 2010; Annual Change 2009 – 2010 in %





# The Urn is Coming

EU-27: Population Pyramid 1990-2010 und 2010-2060



1. International Economy

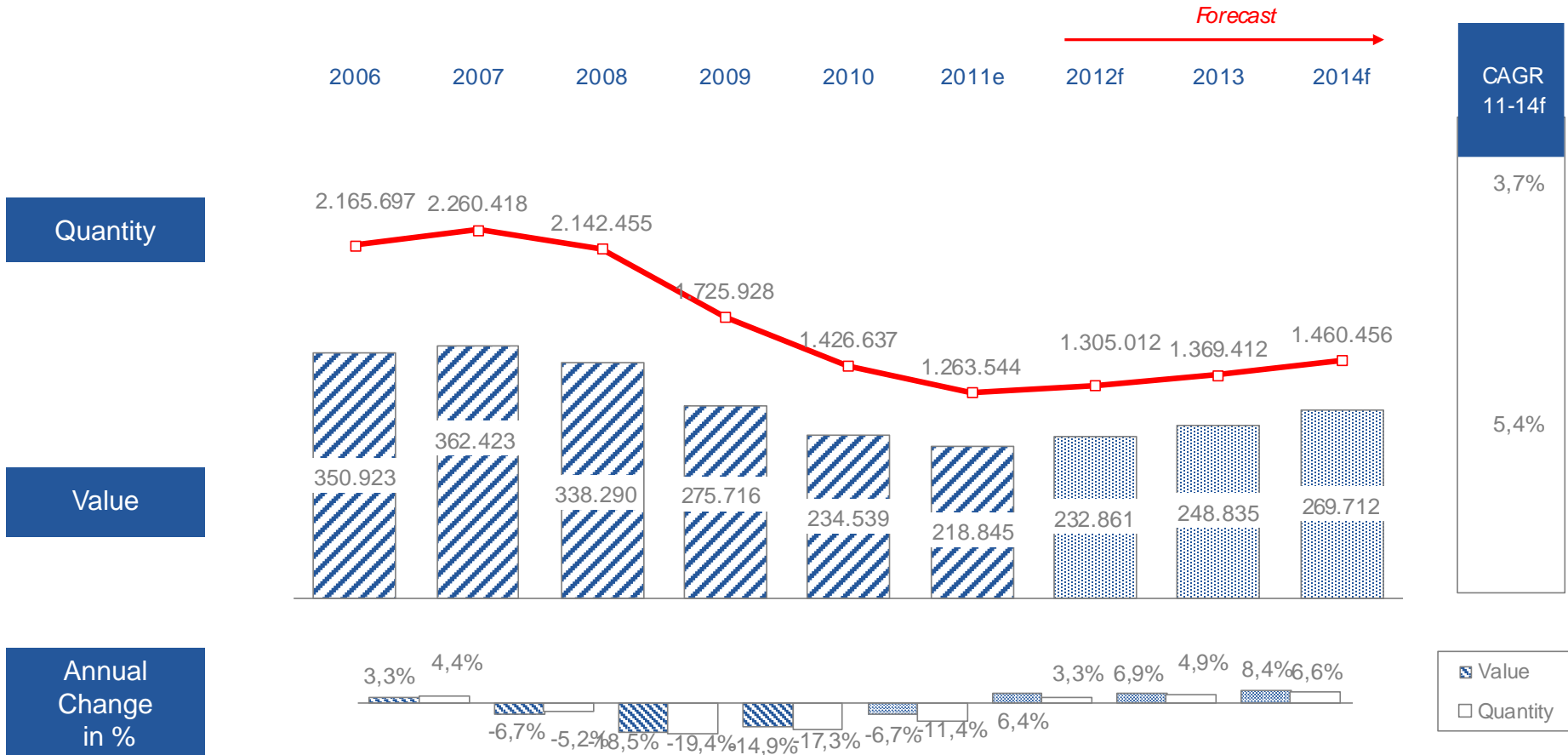
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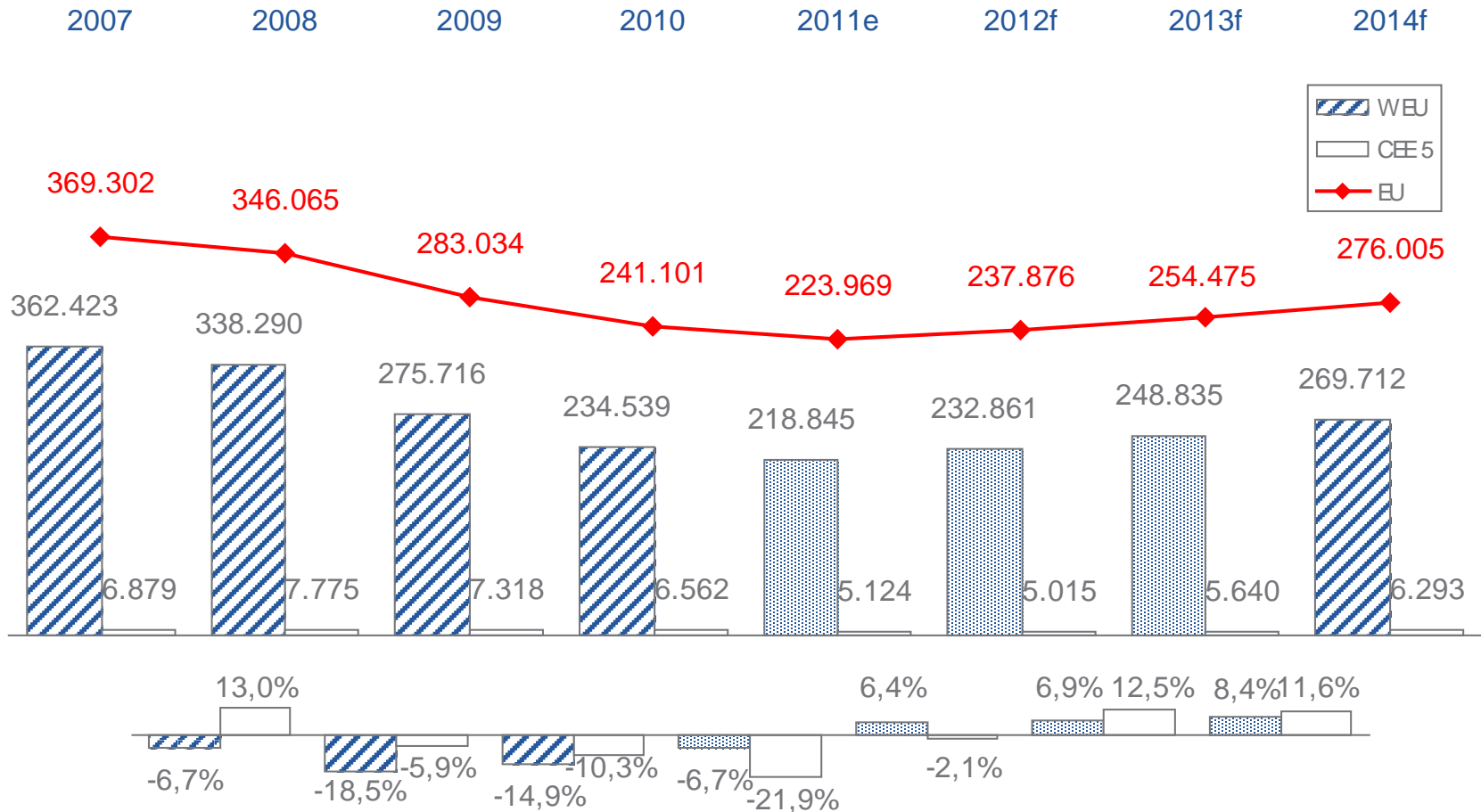
# Recovery in 2012 Expected

Western Europe: *Building Completions* 2006 - 2014f, Quantity in Dwellings, Value in Mio. Euro



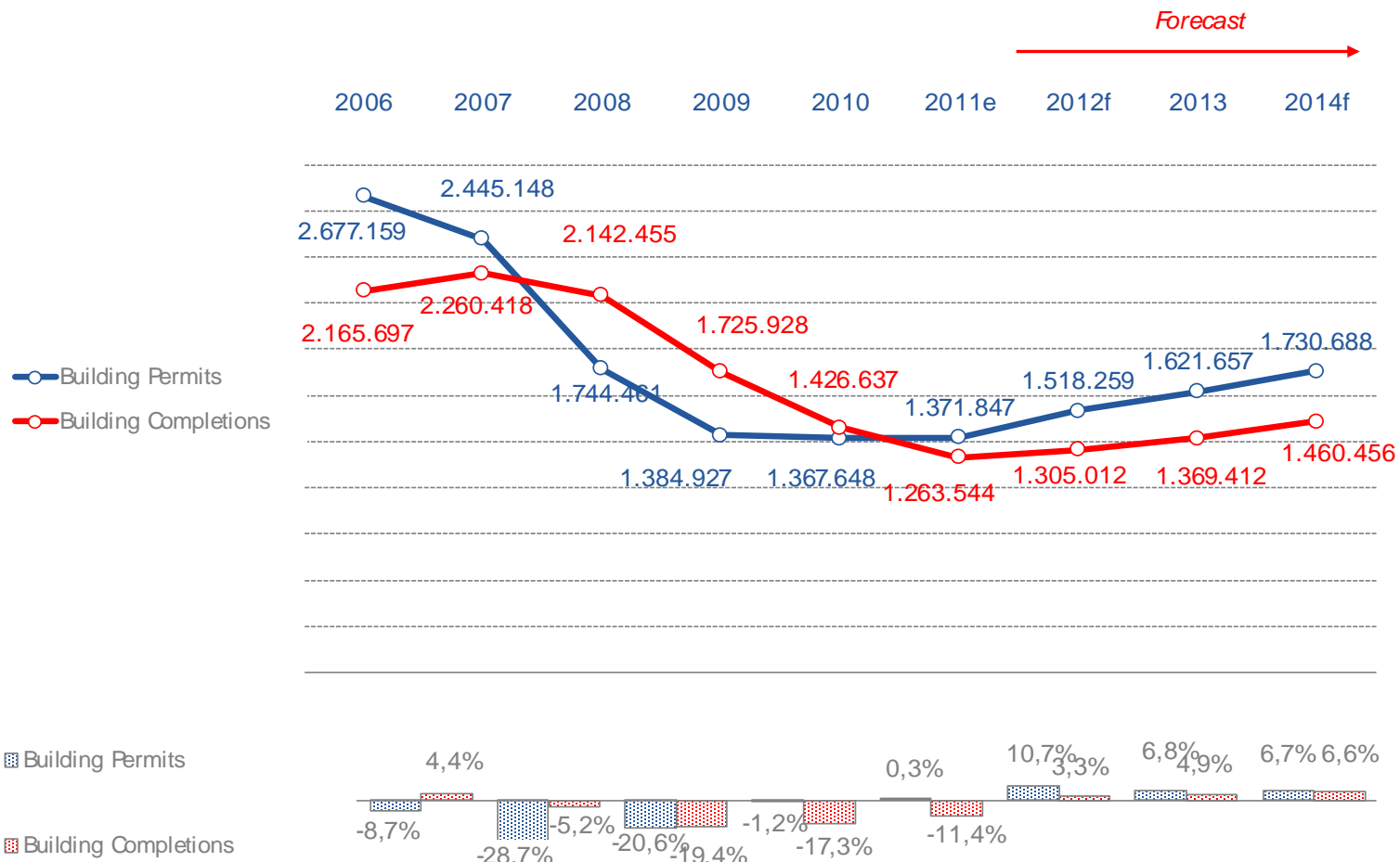
# CEE 5 Takes More Time to Recover

*Building Competitions Residential Sector Eastern vs. Western Europe 2007-2014f in Mio. EUR*



# Increasing Number of Building Permits

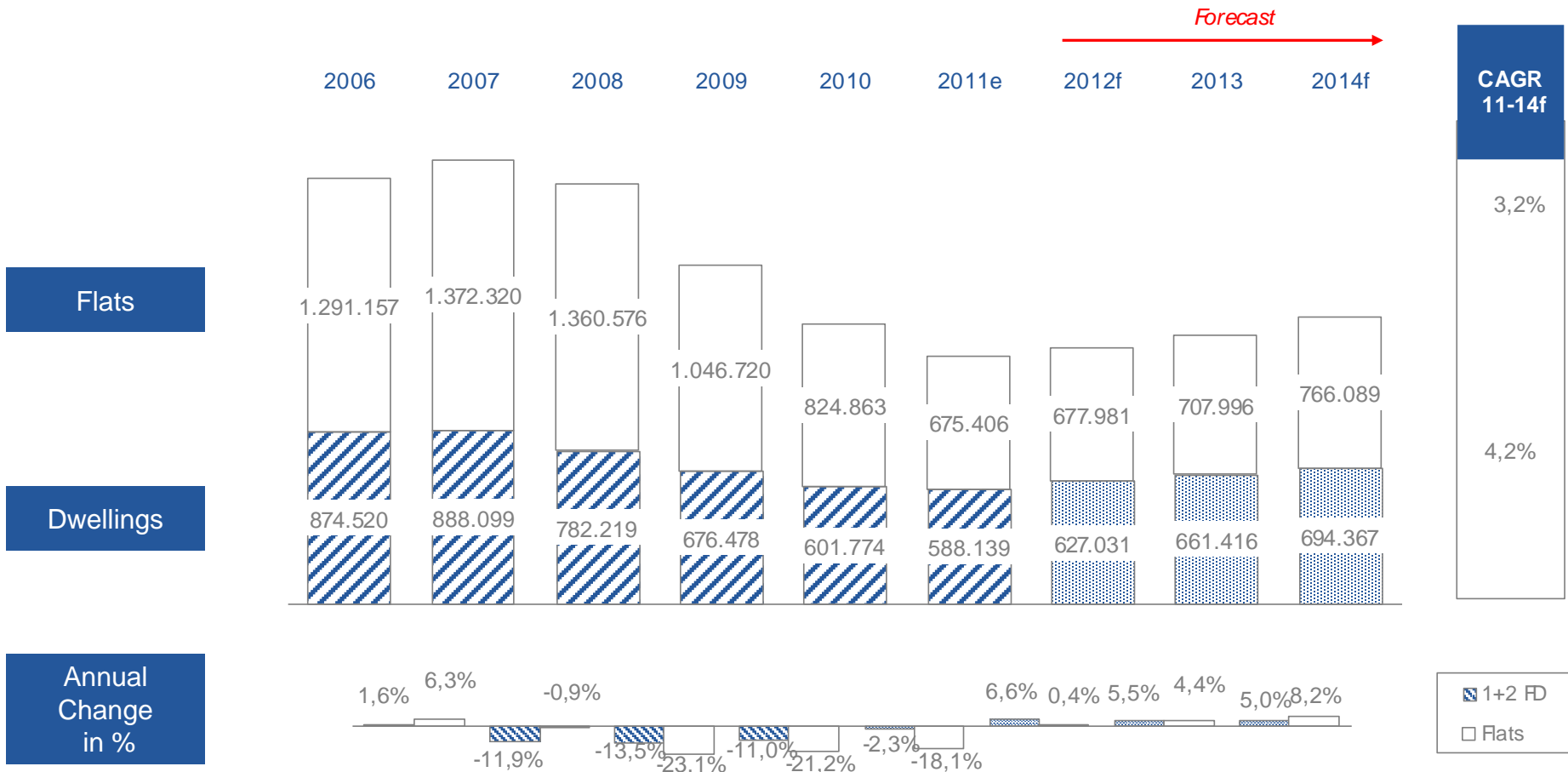
Western Europe: *Building Permits* vs. *Building Completions* 2006 - 2014f





# Dwellings with Better Outlook...

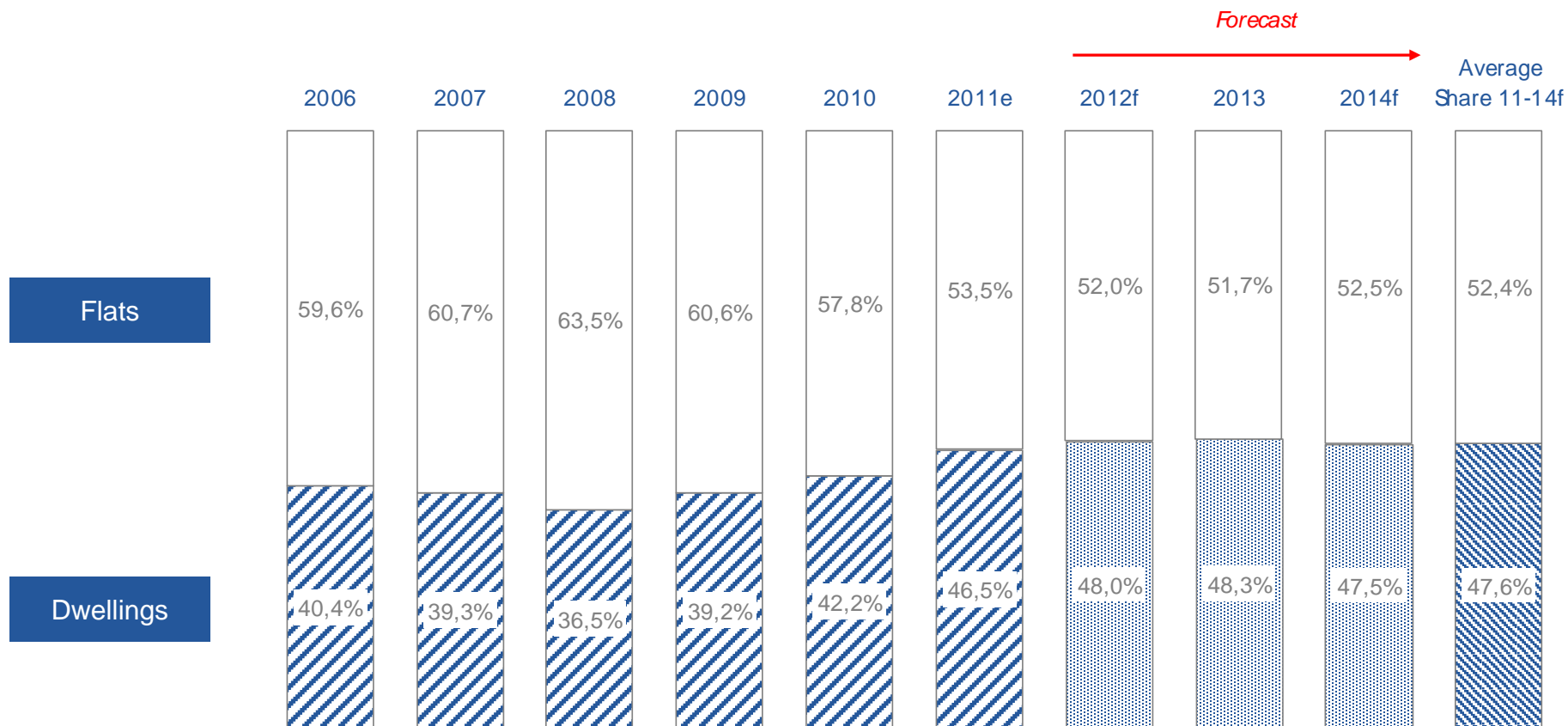
Western Europe: *Building Completions* 2006 - 2014f, Flats & Dwellings





# ...and Gaining Market Share

Western Europe: *Building Completions* 2006 - 2014f, Quantity in %





For further questions  
please do not hesitate to contact us!

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