

## ANALYSIS

6 February 2013

### DECLINE IN CONSTRUCTION CONTINUED IN 2012

In 2012 the construction output declined by 6.5%, year-on-year (y-o-y). The planning and building control authorities granted by 8.8% less building permits, y-o-y and the approximate value of the permitted constructions dropped by 6.3%. The total value of newly contracted construction orders in the Czech Republic decreased by 18.4%, y-o-y. In 2012 the number of started dwellings was down by 13.4%, y-o-y, and the number of completed dwellings increased by 3.0%, y-o-y. One of the reasons of the adverse conditions in construction has been still weak demand due to continuing prudent approach of private investors combined with restricted potential of the state budget.

#### Construction production index

The **construction production** in 2012 dropped by 6.5%, year-on-year. The production in building construction decreased by 3.4%, y-o-y, and the production of civil engineering construction dropped by 13.6%, y-o-y. The construction production in 2012 dropped by 17.0% compared to that in 2008, the year of boom.

**Construction production index in 2012**

	Year-on-year index (%)	Year-on-year change (%)	Contribution to the total year-on-year change (percentage points)
<b>Construction production index, total</b>	<b>93.5</b>	<b>-6.5</b>	.
building construction	96.6	-3.4	-2.3
civil engineering construction	86.4	-13.6	-4.2

Thus construction was declining for the fourth year in a row. In the two recent years it was below the levels of 2007 and 2008, when it experienced its peak, yet also below the level of the base year 2005 (in 2012 it was by 5.8% lower).

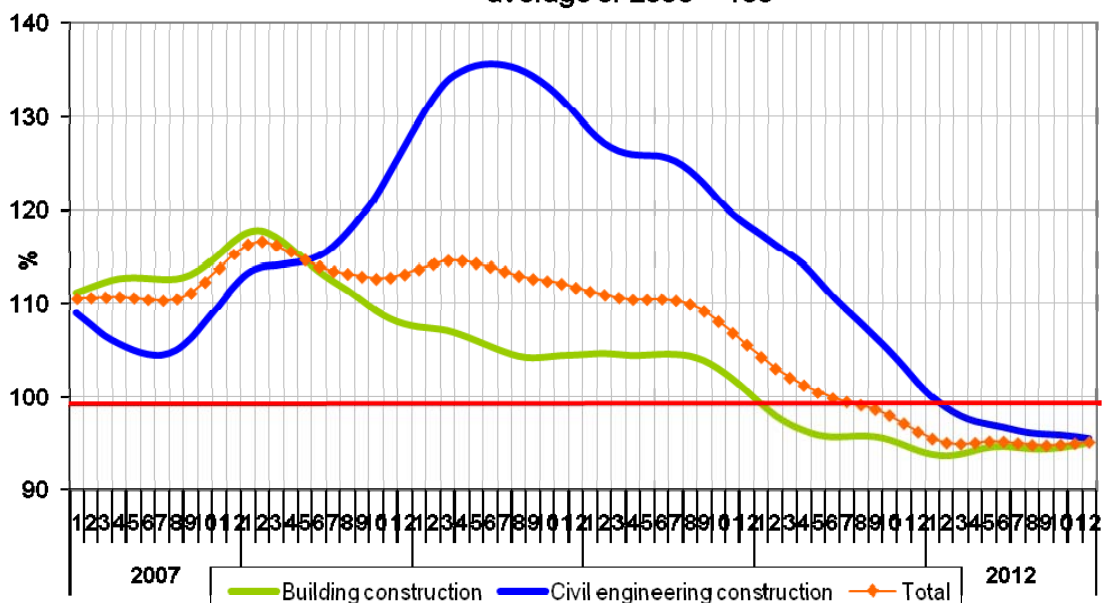
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**Development of the construction production index  
average of 2005 = 100**



### Employment and wages

The **average registered number of employees**<sup>1)</sup> in construction enterprises with 50+ employees fell by 4.4%, y-o-y in 2012. Their **average monthly nominal wage** increased by 2.9%, y-o-y, and reached CZK 30 038.

### Construction orders

In 2012 the number of building orders concluded by construction enterprises with 50+ employees in the Czech Republic accounted for 39.0 thousand and thus their number dropped by 18.6%, y-o-y. The total value of the orders declined by 18.4%, y-o-y and was CZK 146.1 billion. The building construction orders were for CZK 76.1 billion, which is a decrease by 1.2%, y-o-y. The value of new orders for civil engineering constructions was CZK 70.0 billion and plummeted by 31.4% compared to the same period of the previous year. In 2012 the average value of a newly concluded building order accounted for CZK 3.8 million and was by 0.3% higher compared to that in 2011.

<sup>1)</sup> The registered number of employees indicator does not include: persons working under various contracts for work, working owners of enterprises, and cooperating household members, who do not have an employment contract. Data on the registered number of employees in construction also exclude agency workers, who have an employment contract, however, in other activity than construction.

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### New construction orders in 2012

construction enterprises with 50+ employees

	Volume (CZK million)	Year-on-year change (%)	Contribution to the total year-on-year change (percentage point)
<b>New orders, total</b>	<b>146 147</b>	<b>-18.4</b>	.
building construction	76 114	-1.2	-0.5
civil engineering construction	70 033	-31.4	-17.9

At the end of 2012 the surveyed construction enterprises with 50+ employees had 7.9 thousand orders contracted, which mean an annual drop by 29.4%. These orders represented the inventory of still unimplemented construction works of the total value of CZK 125.6 billion and thus the volume of concluded orders for construction works dropped by 12.2% compared to that at the end of 2011. The value of concluded orders for construction works has been declining since the beginning of 2009 and now their volume in financial terms is at about the level of 2002.

The aforementioned trend holds for both private and public orders even though developments of respective categories were not identical. Differences result from the government potential to finance constructions also from resources drawn from the European Union. Public orders were for CZK 63.6 billion of the total number of orders concluded in the Czech Republic by the end of 2012 and thus their volume declined by 19.4%. The value of private orders dropped by 9.3% to CZK 47.8 billion compared to those in 2011. Public orders in 2008 and still in 2009 were at a high level while volume of private orders demonstrated a substantial decline since the end of 2007. The relation in between private orders and public ones is affected by the fact the statistical survey includes mostly larger construction enterprises, for which public orders make a significantly higher portion of their works.

### Construction orders as at the end of 2012

construction enterprises with 50+ employees

	Volume (CZK million)	Year-on-year change (%)	Contribution to the total year-on-year change (percentage point)
<b>Construction orders, total</b>	<b>125 590</b>	<b>-12.2</b>	.
domestic	111 439	-15.4	-14.1
<i>public</i>	63 633	-19.4	-10.7
<i>private</i>	47 806	-9.3	-3.4
abroad	14 151	23.8	1.9

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### Building permits

In 2012 the planning and building control authorities granted 97 764 building permits and the number of building permits granted thus decreased by 8.8%, y-o-y. The number of permits significantly dropped in all types of construction works, namely in the category of residential buildings and other structures. The approximate value of the permitted constructions in 2012 dropped by 6.3%, y-o-y, and attained CZK 318.5 billion. It was new constructions which experienced most the decline in investment costs of permitted constructions.

#### Approximate values of permitted constructions in 2012

	Approximate value CZK million	Year-on-year change (%)	Contribution to the total year-on-year change (percentage point)
<b>Total</b>	<b>318 497</b>	<b>-6.3</b>	<b>.</b>
Residential buildings	81 462	-16.2	-4.7
<i>New constructions</i>	56 371	-16.8	-3.4
<i>Changes to completed constructions</i>	25 091	-14.8	-1.3
Non-residential buildings	104 112	4.7	1.4
<i>New constructions</i>	57 777	8.8	1.4
<i>Changes to completed constructions</i>	46 335	-0.1	0.0
Environmental protection structures	60 573	39.8	5.1
Other constructions	72 350	-27.6	-8.1

### Housing construction

In 2012 housing construction was also in recession. The numbers of dwellings started has been falling for already fifth year in a row. The deepest drops can be seen in the category of residential buildings. In the case of completed dwellings there was a slight increase after the significant drop in 2011.

In 2012 the number of dwellings started was 23 853, which was a decline by 13.4% compared to that in 2011. It was the lowest number of started dwellings since 1998. Compared to the peak number in 2007 this was a plunge by almost 45% (20 000 dwellings). The deepest drop, compared to the numbers in 2011, was recorder for dwellings in multi-dwelling buildings (-19.8%). Although there was an increase by 17% in Q1 2012 the following three quarters were the worst in the recent fifteen years concerning the number of started dwellings. In none of them the number of dwellings started exceeded 670 dwellings. The number of started dwellings in family houses also saw a year-on-year drop by 15.6% compared to that in 2011. If compared to the number of 2008, when there was the highest number of these started dwellings, this was a fall by almost 40%. The annual comparison is good for dwellings in retirement homes and also new dwellings in non-residential buildings. These categories, however, include small numbers of dwellings, which are affected by launches of respective projects and have negligible influence on the overall development.

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### Dwellings started in 2012

	Number	Year-on-year change (%)	Contribution to the total year-on-year change (percentage points)
<b>Total</b>	<b>23 853</b>	<b>-13.4</b>	<b>.</b>
In family houses	14 399	-15.6	-9.7
In multi-dwelling buildings	4 022	-19.8	-3.6
In all types of extensions of family houses	1 636	-10.9	-0.7
In all types of extensions of multi-dwelling buildings	1 345	-6.7	-0.4
In boarding houses or retirement homes	741	37.0	0.7
In non-residential buildings	1 277	8.7	0.4
In converted non-residential areas	433	-7.5	-0.1

In 2012 the number of completed dwellings was 29 477, which was an increase by 3.0%, y-o-y. The highest contribution to this increase happened in Q2 2012 yet a growth was recorded in Q1 and Q3 2012 as well. The highest number of completed dwellings was in family houses, almost two thirds of the total number thereof and their annual growth was 0.3%. The number of dwellings completed in multi-dwelling buildings showed even a higher increase by 9.3%, following substantial declines in 2010 and 2011. The numbers of completed dwellings in retirement homes and dwelling created by a conversion of non-residential areas also increased. Yet it holds for them, the same way as for the started dwelling, that development in these categories is strongly affected by completing of respective projects, which are, however, not many.

### Dwellings completed in 2012

	Number	Year-on-year change (%)	Contribution to the total year-on-year change (percentage points)
<b>Total</b>	<b>29 477</b>	<b>3.0</b>	<b>.</b>
In family houses	17 445	0.3	0.2
In multi-dwelling buildings	7 092	9.3	2.1
In all types of extensions of family houses	1 198	-3.7	-0.2
In all types of extensions of multi-dwelling buildings	1 504	-4.7	-0.2
In boarding houses or retirement homes	359	111.2	0.7
In non-residential buildings	612	-1.0	0.0
In converted non-residential areas	1 267	10.5	0.4

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