

Press Release

Contact: Lukáš Kropík
Position: PR Manager
Tel: +420 775 013 139
Email: lkropik@deloittece.com

Contact: Klára Vyskočilová
Position: Senior Content Coordinator
Tel: +420 736 513 244
Email: kvyskocilova@deloittece.com

EU Construction Investment Saw a Slight Increase Last Year

Prague, 9 August 2016 – Last year, total construction investment in the EU amounted to EUR 1,434 billion, which is 5% higher than in 2014. The three largest construction markets in Europe are Germany, France and the United Kingdom. Having generated revenues of EUR 38.518 billion, the top position was again retained by the French VINCI group last year. The only Czech construction group that can be a match for the EU Top 50 is the Metrostav group. These are the findings of Deloitte's new study entitled "European Powers of Construction", analysing the development of leading European construction groups during 2015 in terms of revenues, market capitalisation, internationalisation, diversification and indebtedness.

After the major contraction of the global construction industry caused by the 2008 financial crisis, investment in construction in the EU-28 has seen a slight increase since 2014. Forecasts show that it is expected to continue to rise in 2016 and accelerate its expansion in 2017. Nevertheless, growth will not be achieved in all countries that form the EU.

"In 2012 and 2013, when the deficit reduction policies implemented by the governments were especially severe, construction investment in the EU decreased by 3.1% and 2.5%, respectively. In fact, the United Kingdom was the only country in the EU able to increase investment in construction in those two years, in line with other countries such as Japan and the United States. In 2014 and 2015 construction investment in the EU grew on average by 1.6% and 2.0%, respectively," stated Diana Rádl Rogerová, a partner at Deloitte responsible for the real estate industry in Central Europe.

In the near future, construction investment should benefit from sustained growth in real disposable household income, low mortgage rates and progress in adjustments to the housing sector. The Investment Plan for Europe is also expected to yield more significant tangible results in public and private investment as a growing number of projects should move to the implementation phase.

Last year, the top position among construction companies was retained by the French VINCI group, generating total revenues of EUR 38.518 billion. Second place was taken by Spain's ACS with revenues of EUR 34.925 billion and third place by the French construction company Bouygues, which reported revenues of EUR 32.428 billion in 2015. Fourth place went to Sweden's Skanska (EUR 16.363 billion) and fifth to the French Eiffage group (EUR 14.060 billion).

The only Czech construction group that can be a match for the EU Top 50 is the Metrostav group with a consolidated turnover of EUR 1.14 billion in 2015 (CZK 31.627 billion). Besides Metrostav itself, the group comprises Subterra, Pragis or Austria's BeMo Tunnelling. However, the ranking only includes companies listed on the stock exchange, which is why Metrostav does not feature on it. Other major construction companies operating in the Czech Republic, ie Eurovia (Vinci), Strabag, Skanska and OHL ŽS, are featured on the list as part of their parent groups.

Summary of 10 Largest Construction Companies in Europe

Ranking	Company	Country	Revenues in 2015 (€ m)
1	VINCI SA	France	38,518
2	ACTIV. DE CONSTR. Y SERV. SA (ACS)	Spain	34,925
3	BOUYGUES SA	France	32,428
4	SKANSKA AB	Sweden	16,363
5	EIFFAGE SA	France	14,060
6	STRABAG SE	Austria	13,123
7	BALFOUR BEATTY PLC	United Kingdom	11,633
8	FERROVIAL SA	Spain	9,701
9	KONINKLIJKE BAM GROEP NV	Netherlands	7,423
10	NCC AB	Sweden	6,681

"Total construction investment in the EU amounted to EUR 1,434 billion, which is 5% higher than in 2014. Since 2013 the three largest construction markets in Europe have been Germany, France and the United Kingdom. The Top 5, which also includes Italy and Spain, represented 72% of total construction investment in the European Union in 2015," added Miroslav Linhart, a director at Deloitte leading the group focused on services to companies concerning real estate and construction. In those countries, construction investment represents between 9.6% and 11.4% of total GDP and grew by 5.4% in 2015. Nevertheless, among the major markets, France and Italy reduced their construction investment compared to the previous year.

The following are the highlights of the study:

- According to the European Commission Spring 2016 European Economic Forecast, construction investment in the EU will grow in 2016 and 2017 by 2.4% and 3.1%, respectively. In this context, it should be noted that since our 2014 European Powers of Construction publication was released, expectations have been lowered, especially for 2016 (from 3.5% to the current 2.4%).
- The Netherlands, Slovakia and Sweden achieved the highest growth rates in the EU for 2015 (above 10%). On the contrary, countries such as Greece, Cyprus and Slovenia reduced their investment in construction in 2015 compared to 2014.
- In 2016, the growing construction markets will be Ireland, Cyprus and the Netherlands, while Greece, France, Slovenia, Bulgaria and the Czech Republic are expected to see stagnation or contraction.
- Despite the average growth rates achieved by EU countries in 2014 and 2015, they were well below those achieved in the United States (by more than 2 percentage points). Construction industry growth in the US is expected to continue to outperform EU-28 rates in 2016 and 2017.

- Despite the growth rates achieved in 2015 and the optimistic expectations for 2016 and 2017, investment in construction in the euro area is still 22% below the figures recorded in 2007. Belgium, Germany, Sweden and Poland are the only four countries that reported an increase in investment volume in 2015 compared to the pre-crisis year of 2007. The highest decreases in construction investment were recorded in Greece (-74%), Ireland (-2%), Portugal (-48%), Spain (-44%), Romania (-39%) and Italy (-36%).
- Internationalisation is a significant factor – 52% of the total revenues generated by the companies in the ranking comes from abroad.
- Another interesting fact is that 24% of the total revenues generated by the companies in the ranking do not come from construction but from development, energy, telecommunication and other sectors.

You can find the entire study entitled "European Powers of Construction 2015" at www.deloitte.com/cz/epoc.

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