

## GREEK CONSTRUCTION SECTOR

### MAIN FINDINGS DURING CRISIS - CAPABLE AND NECESSARY CONDITIONS FOR OVERALL RECOVERY

In recent years as the crisis in Greece deepens more and more , construction industry has suffered more than any other sector of the domestic economy.

- **Construction Production Index** (both public and private works) decreased by 8.6% y-o-y in 2016:Q1 and the **cumulative decrease since 2008:Q1** stands at 75.3% (Diagram-1).
- Total employment in the construction sector increased by 2.8% y-o-y in 2016:Q1 (i.e. 146.4 thousand persons), but the last eight years there are **251.7 thousands unemployed , the highest figure than any other economic sector** (Diagram-2).
- **The construction gross fixed capital formation** (both in dwellings and other construction) reduced by 2.1% **recording the lowest percentage rate to total gross fixed capital formation** (35.6% vs 60.4% in 2007:Q4) (Diagram-3).
- **The sector's contribution to GDP** records its lowest rate, during the last 16 years, **hardly reaching 2.13%** in 2016:Q1 compared to 8.5% in 2006:Q4 (Diagram-4).
- **Civil Engineer** (public works) **production index** reduced by 15%, **reaching one of the lowest price** of the whole period (37.7). The cumulative decrease since 2008:Q1 reaches 66.16% (Diagram-5).
- **Buildings** (private works) **production index** reduced by 1.3%, **achieving again one of the lowest rate of at least last thirty six years (30.75)**. The cumulative decrease since 2008:Q1 reaches 84.3 % (Diagram-6).

Furthermore the deep recession of the Greek construction sector is also reflected in the magnitude of data on the supply side during the period 2008-2013 (Table1):

- **Number of firms reduced by 26%**
- **Turnover from Construction Activities reduced by 62.5%**
- **Turnover from Building Activities reduced by 75.5%**
- **Production Value reduced by 45.8%**

**This development, in our view, is a major cause of the ongoing recession in Greece, the length of which is unique in modern history data.**

**And this development occurs mainly due to the annually reduction of Public Investment Budget (PIB) in order to finance the balance sheet deficit due to insufficient fiscal policy expenditure measure.** I.e. though PIB was budgeting at 10.3 billions during 2010, it declined finally to 8.4 billions despite the fact that the decrease of PIB aiming at the reduction of balance sheet deficit has, on a mid and long-term basis, the opposite results. For 2011 Public Investment Budget was set to 6.6 billion, only a small portion of GDP, and during 2012 even smaller hardly reaching 6.1 bn €, i.e very small compared to other European countries. The same picture occurs in the recent years 2013: 6.6 bn €, . 2014: 6.6 bn € 2015: 6.4 bn €. (Diagram-7).

The NSRF was and continues to be an opportunity for the recovery of the sector. However, the former NSRF has not yet been completed, since there are unfinished projects that cannot be financing in the context of the NSFR 2014-2020 though there are not considered

to be phasing projects (1.5 bn. € required in order to be completed on time). On the other hand there are the phasing projects that will require about 4.5 billion €.

Considering the fact that the Public Investment Budget for 2016 (6.75 bn. €) should cover all financial needs and the backlog of the past and the beginning of the new NSRF 2014-2020, one can realize the financing restrictions of construction projects.

**It is obvious that due to lack of funding in the coming years, there will be no small and medium-sized construction projects to meet the country's infrastructure needs as well as those of contracting companies in Greece.**

The new NSRF 2014-2020 predicts only 5.2 bn € for Infrastructure, Environment and Sustainable Development and a total amount of 5.8 bn € for the 13 Regional Programmes.

These very small amounts are bound to cause great concern in the construction sector.

**Since the construction sector is experiencing such a recession and based on the following information, the recovery of the overall economy seems impossible.**

In particular, according to Foundation for Economic and Industrial Research (IOBE) survey data:

- **Construction contributes directly and indirectly by 22% of taxes** and fees collected by the state and recorded in GDP.

- **For every 1 euro spent in construction, 1.8 added to GDP**, from which 0.4 euro lead directly to state.

- **Similarly, for every 1 million euro produced by the construction sector, there are created 39 jobs in the economy**, of which 13 are directly related to the construction industry.

**Based on these figures it is well understood that the reduced industry output , especially in today's very difficult situation, is the major obstacle to the development of the economy as a whole.**

Moreover there is no hope for a positive multiplier effect on the overall economy of the construction projects, causing concern in many other productive sectors, industrial commerce and services.

**Furthermore keeping vital the Greek contracting companies, which they have extrovert activity, despite the recession conditions in Greece, is crucial since they contribute positively in external balance of payments.**

**In our view the issue of generating a program** with stable in number, secured in terms of funding and geographically distributed across the country, **of small and medium-sized projects in the coming years, is a major issue that must be debated**, as it directly affects tax revenues and social security contributions, and especially unemployment.

**The country and entrepreneurship, is now in need of a medium-term program, in order to follow a path of growth. And construction projects, especially small and medium, is possible to give immediate answers**, while putting to restart total economy.

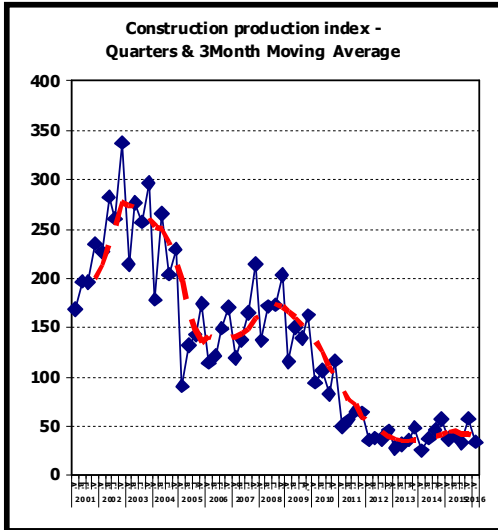
**In this context some exceptions of the strictly financing requirements of the Junker's investment plant should be considered for the Greek case** since there are no available private funds to take the required risks in such investments in Greece.

**Chairman**

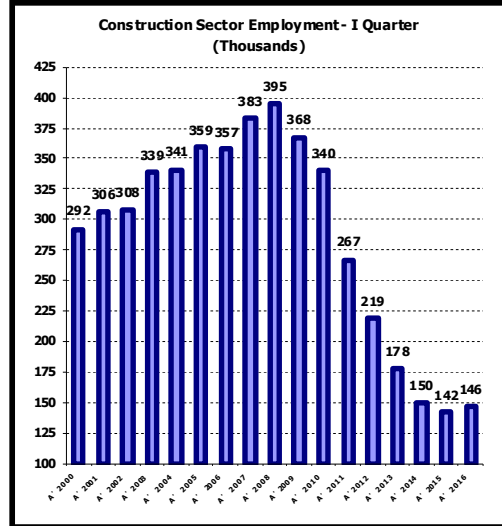
**Zacharias Athousakis**

**General Secretary**

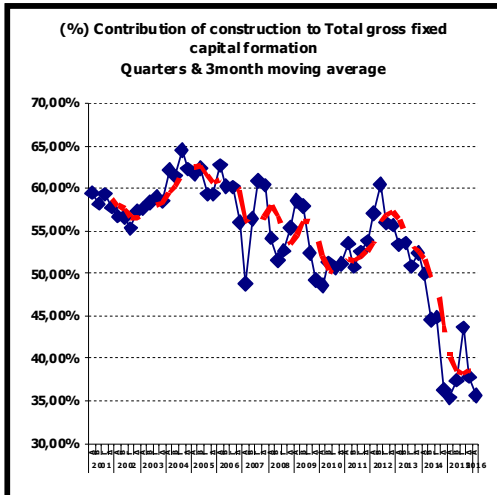
**Dimitrios Constantinidis**



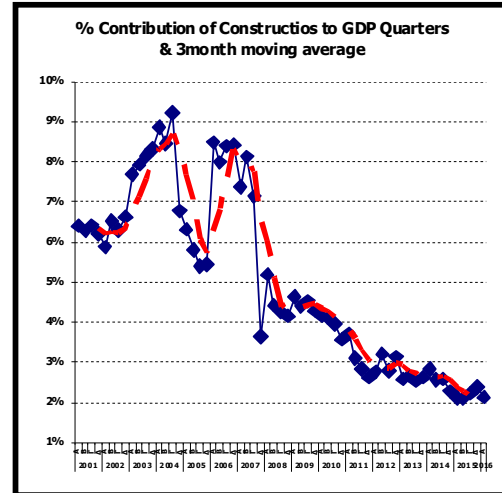
Source: SATE, figures from Hellenic Statistical Authority  
**DIAGRAM-1**



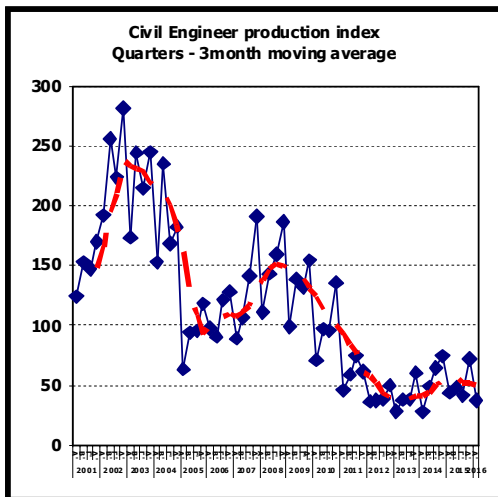
Source: SATE, figures from Hellenic Statistical Authority  
**DIAGRAM-2**



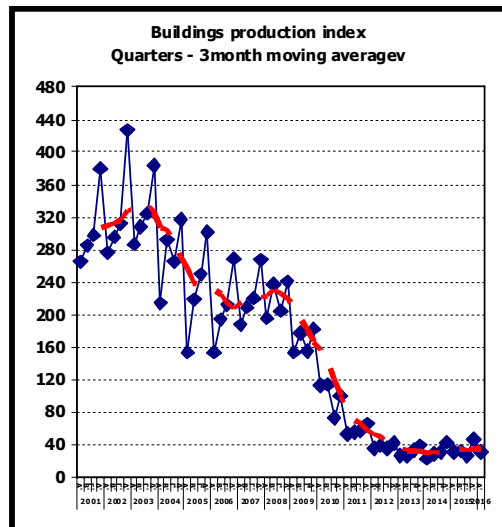
Source: SATE, figures from Hellenic Statistical Authority  
**DIAGRAM-3**



Source: SATE, figures from Hellenic Statistical Authority  
**DIAGRAM-4**



Source: SATE, figures from Hellenic Statistical Authority  
**DIAGRAM-5**

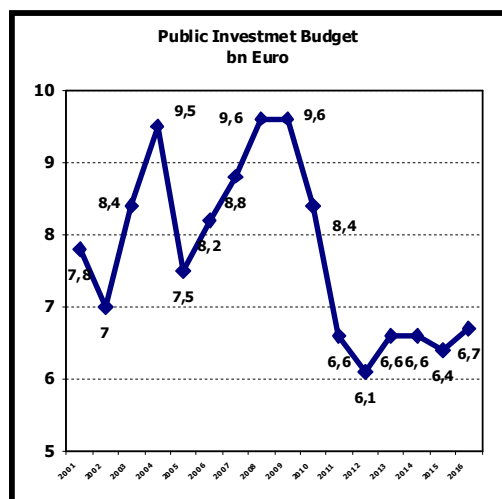


Source: SATE, figures from Hellenic Statistical Authority  
**DIAGRAM-6**

**TABLE -1**

Total data of basic economic magnitudes in the Construction Section							
Value in thousands of Euros							
2013							
NACE Rev.2 Division	Number of Enterprises	Turnover from Construction Activities	Turnover from Building Activities	Turnover from Civil Engineer Activities	Production Value	Added Value in Factor Costs	Investments
41	21.565	2.108.847	2.126.186	416.902	4.509.110	1.543.591	740.815
42	5.303	1.876.799	2.792	2.493.483	2.963.052	1.717.996	284.273
43	57.754	2.077.849	14.517	116.344	2.765.798	1.075.721	184.998
<b>TOTAL</b>	<b>84.622</b>	<b>6.063.494</b>	<b>2.143.495</b>	<b>3.026.730</b>	<b>10.237.960</b>	<b>4.337.308</b>	<b>1.210.086</b>
2008							
Nace Rev.2	Number of Enterprises	Turnover from Construction Activities	Turnover from Building Activities	Turnover from Civil Engineer Activities	Production Value	Added Value in Factor Costs	Investments
41	37.412	8.183.586	8.437.171	557.722	9.365.463	2.504.116	1.514.944
42	8.546	3.653.436	267.302	4.008.913	4.574.198	1.292.214	231.791
43	68.194	4.313.565	44.386	227.412	4.940.199	2.069.061	300.085
<b>TOTAL</b>	<b>114.152</b>	<b>16.150.587</b>	<b>8.748.858</b>	<b>4.794.047</b>	<b>18.879.860</b>	<b>5.865.392</b>	<b>2.046.820</b>
2013/2008							
Nace Rev.2	Number of Enterprises	Turnover from Construction Activities	Turnover from Building Activities	Turnover from Civil Engineer Activities	Production Value	Added Value in Factor Costs	Investments
41	-42,4%	-74,2%	-74,8%	-25,2%	-51,9%	-38,4%	-51,1%
42	-37,9%	-48,6%	-99,0%	-37,8%	-35,2%	32,9%	22,6%
43	-15,3%	-51,8%	-67,3%	-48,8%	-44,0%	-48,0%	-38,4%
<b>TOTAL</b>	<b>-25,9%</b>	<b>-62,5%</b>	<b>-75,5%</b>	<b>-36,9%</b>	<b>-45,8%</b>	<b>-26,1%</b>	<b>-40,9%</b>

Source: SATE, figures from Hellenic Statistical Authority



Source: SATE, figures from State Budget

**DIAGRAM-7**