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CONSTRUCTION

SECTOR OVERVIEW NOVEMBER 2016



TOP NEWS

Despite melting of the negative influence of British referendum results, construction sector in the UK had unexpected fall in October

World experts predicted the second continued monthly growth of 0.2 %, but suddenly it had a decrease of 0.6 %. Sector which makes almost 7 % of British GDP is decreased due to the decrease of investments in infrastructure and public institutions, while the private construction in October whatsoever had its annual maximum.

European investment bank provides 190 million of Euros for Lithuanian company Lietuvos Energy

The company got a credit in order to build new factory in Vilnius that will produce energy on the basis of combustion of biomass and waste, of the total capacity of 88Mve and 227MVth. This factory should produce 413 GVh of electric energy for national electrical network and 1.180 GVh for the heating system of the town Vilnius per year.

United Arab Emirates (UAE) plan on enhancing their hotel capacities for more than one third by 2020, although revenues per one hotel room are decreasing

This means that in the following six years 54000 of new hotel rooms will be built in this country, although an average price of accommodation in Emirates gained its one-year minimum in October. Dubai and Abu Dhabi are leaders in new accommodation capacities building, which comes as no surprise considering that Dubai will be the host of world Expo fair 2020, when it plans to host 25 million visitors, as opposed to Milan which on Expo 2015 drew 20 million visitors.

In September a record in the number of issued construction permits in Serbia was achieved

During September in Serbia total of 1377 permits was issued, which is the best result since 2007, from the moment RSZ started following these information. For the first nine months of this year, 17 % more of constructions permits was issued compared to the same period of the previous year, and the biggest construction activity in September is noted in Belgrade, followed by South Backa region.

Thanks to construction permits Serbia is one of ten countries that improved the most on Doing business list for 2017

Serbia jumped from 59. to 47. Place, of total of 189 countries, for what the credits go to the jump from 152. to 36. Place in the field of construction permits recruitment, thanks to online application for construction permits.

- In Trgoviste it takes a day to get a construction permit, while republic average is six days. In community Trgoviste one can get construction permit for one day, and in Gadzin Han and Vladimircima for about two days. When it comes to cities, permits are most quickly issued in Cacak, Vranje and Sombor, where procedure takes about three days. In Belgrade, construction permits are most quickly issued by Zemun, Palilula, Stari Grad and Vracar, where procedure is completed for less than five days.
- Location conditions in community Boljevac, Raca and Majdanpek are got in about five to six days, while republic average is 13 working days. When it comes to cities, Cacak and Vranje (as well as for construction permits) are best rated, but also Zajecar, where procedure takes seven to eight days.
- Usage permits are completed for a day or less in Sjenica, Bosilegrad, Lajkovac and Trgoviste, while republic average is seven working days. When it comes to cities, the most successful are Subotica, Sabac and Sombor, where one is waiting for a permit for less than three days.

Enforcement of Law of conversion of rights of usage to rights of ownership on construction land with fee is accelerated significantly in last four months

During last four months, local governments completed positively 88 requests for conversion of rights of usage to rights of ownership and by that generated revenue of 35748 million RSD.

Ten floors of tower A were built within Belgrade Waterfront project

It is predicted that building will be finished by the end of 2018. This residential-office complex will consist of around 12000 offices and around 6000 residential entities.



GLOBAL MARKET

Global growth of construction industry is moderate, with a projection that at the end of 2016 it will be 2.8%, which is slightly higher compared to the growth of 2.4 % in 2015

These growth rates are modest compared to an average growth rate of 5 % per year in last 10 years, when construction sector was a leader of global growth. Three factors mostly influenced lower construction sector growth in last two years. Those are: 1) historically low petroleum prices, which made construction growth slower in countries that are petroleum exports; 2) economic falter of China, the biggest world player in construction sector; and 3) strengthening of the US dollar, which lowered investment activity of construction sector which consists of many small enterprises with big leverage and long deadlines for debt repayment.

November growth of petroleum prices, melting of the negative impact of Brexit and stabilisation of Chinese economy are the reasons for optimism in construction sector

Also, in favor of positive expectations goes optimism coming from American market as well.

Although the elections in America caused uncertainty at first, the expectations at this market became better

Namely, soon after announcement of Donald Trump as new president of the USA, expectations of investors and experts from construction sector decreased suddenly. However, when new presidents announced bigger investments in infrastructure, the expectations in this sector became better. It is expected that construction sector will spend more than ½ trillion dollars in 2017.

European construction sector is recovering from Brexit and currently it is showing good prospects

European CECE Barometer index* notes a slight increase in November, which means that producers of construction engines and equipments in Europe expect growth of construction sector in the following six months. The most optimistic are bulldozer producers.

Chinese economy is stabilizing, so the more positive prospects of construction sector can be seen at this market as well

Despite economic faltering of China during 2016, PMI index of 51.7 in November notes its biggest amount from April, 2012. Stimulative politics of the government attributed to this optimism and the growth of real estate sector as well. It is expected that China will remain the biggest force in construction world until 2030.

Construction sector of India will be the third biggest in the world until 2030

Since every sixth person in the world that move to city is actually the citizen of India, it comes as no surprise the information that urbanisation rate in this country is the second largest in the world (after China) i that by 2025 construction sector of India will be worth one billion dollars and will be employing 75 million people. It is expected that by 2030 India will have 77 cities with over million citizens.



DOMESTIC MARKET

The value of works of contractors from the Republic of Serbia that are done in the third quarter of 2016 is higher for 1.6 % compared to the third quarter of 2015, and the value of new contracted works for 10.6 %. Observed by type of constructions, the value of works contracted on the buildings increased for 18.8 %, while on the other constructions it decreased for 5.2 %.

*Index that measures expectations of 150 European senior experts from the area of construction engines and equipment about further industry trends.

The number of issued building permits grows rapidly, thanks to online procedure

The total number of issued permits for period from January to September 2016 is higher for 16.8 % compared to the same period of the previous year, while the estimated value of works is higher for 6.2 % (of buildings for 34.1 %, while the estimated value of other constructions lower for 28.6 %).



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