Economic outlook
March 2017

Confederation of Finnish Construction Industries RT
21st March 2017
Sami Pakarinen
Construction Sector Output 2016

Total €31.8bn

Building Construction €25.3bn
- Residential €7.3bn
- Non-Residential €5.3bn
- New Building €12.7bn
- Repair and Maintenance €12.6bn

Civil Engineering €6.5bn
- Maintenance €1.7bn
- Investment €4.8bn

Source: Statistics Finland, Forecon Oy

Industry and construction output in 2015 €150bn
- Construction 19%
- Chemistry 12%
- Metals 34%
- Others 14%
- Food 7%
- Forest 13%
Volume of Gross Domestic Product and Construction

![Graph showing the annual change in GDP and construction from 2008 to 2018.](graph_image)

Source: Macrobond/Confederation of Finnish Construction Industries RT
Construction volume

Source: Macrobond/Confederation of Finnish Construction Industries RT, Euroconstruct
Confidence Indicator of Construction

Source: Macrobond/Confederation of Finnish Construction Industries RT
Confidence Indicators

Source: Macrobond/Confederation of Finnish Construction Industries RT
Building Cost Index

Lähde: Macrobond/Rakennusteollisuus RT
Price Development in the Housing Market

Source: Macrobond/Confederation of Finnish Construction Industries RT
Employment in Construction

Source: Macrobond/Confederation of Finnish Construction Industries RT
Total New Building Construction

Source: Macrobond/Confederation of Finnish Construction Industries RT
Residential Buildings

Lähde: Macrobond/Rakennusteollisuus RT
Obstacles to Start Privately Financed Housing Production

- Price of land too expensive
- Lack of plots (Helsinki area)
- Lack of skilled labour, salary earners
- Price level do not guarantee profitability
- Insufficient demand
- Lack of plots (Outside Helsinki area)
- Increased demand for other buildings
- Lack of skilled labour, workers
- Rise in building costs
- Expectations of a rise in interest rates

Source: RT
Starts on New Dwellings

Source: Macrobond/Confederation of Finnish Construction Industries RT
Unsold New Dwellings on the Market

Source: Macrobond/Confederation of Finnish Construction Industries RT
Households' new drawdowns of housing loans and average interest rate

Lähde: Macrobond/Rakennusteollisuus RT
Commercial and Office Buildings

Source: Macrobond/Confederation of Finnish Construction Industries RT
Public Buildings

Source: Macrobond/Confederation of Finnish Construction Industries RT
Industrial and Warehouse Buildings

Source: Macrobond/Confederation of Finnish Construction Industries RT
Renovation and Modernisation of Building Construction

Source: Macrobond/Confederation of Finnish Construction Industries RT
Volume of Investment in Civil Engineering

Source: Macrobond/Confederation of Finnish Construction Industries RT
Cost Index of Civil Engineering Works

Source: Macrobond/Confederation of Finnish Construction Industries RT
Distribution of Civil Engineering

- Work done on building site: 38%
- Connecting communities: 32%
- Construction of community: 30%

Source: Statistics Finland
Profitability of Construction Sector

Source: Macrobond/Confederation of Finnish Construction Industries RT
International Operations of Finnish Construction Industry

Source: Macrobond/Confederation of Finnish Construction Industries RT
Volume of Construction Product Industry

Source: Macrobond/Confederation of Finnish Construction Industries RT
GDP and Construction Volume in Euroconstruct-countries

Source: Macrobond/Confederation of Finnish Construction Industries RT, Euroconstruct, June 2015, Warsaw
## Housing production forecast

<table>
<thead>
<tr>
<th>Housing starts</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terraced houses and blocks of flats</td>
<td>18 400</td>
<td>26 000</td>
<td>30 300</td>
<td>27 700</td>
<td>25 200</td>
</tr>
<tr>
<td>Non-subsidised housing</td>
<td>11 000</td>
<td>17 500</td>
<td>22 300</td>
<td>19 200</td>
<td>16 700</td>
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<tr>
<td>ARA housing</td>
<td>7 400</td>
<td>8 500</td>
<td>8 000</td>
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<tr>
<td>Detached houses</td>
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<td>6 600</td>
<td>6 600</td>
<td>7 000</td>
<td>7 500</td>
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<tr>
<td>Non-subsidised housing</td>
<td>6 700</td>
<td>6 600</td>
<td>6 600</td>
<td>7 000</td>
<td>7 500</td>
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<tr>
<td>Other buildings</td>
<td>200</td>
<td>600</td>
<td>500</td>
<td>300</td>
<td>300</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>25 300</strong></td>
<td><strong>33 200</strong></td>
<td><strong>37 400</strong></td>
<td><strong>35 000</strong></td>
<td><strong>33 000</strong></td>
</tr>
<tr>
<td>Non-subsidised housing</td>
<td>17 900</td>
<td>24 700</td>
<td>29 400</td>
<td>26 500</td>
<td>24 500</td>
</tr>
<tr>
<td>ARA housing</td>
<td>7 400</td>
<td>8 500</td>
<td>8 000</td>
<td>8 500</td>
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</table>

Source: Statistics Finland, ARA, RT
## Economic Indicators of Finnish construction Industry

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Domestic Product. change of volume, %</strong></td>
<td>-0.6</td>
<td>0.3</td>
<td>1.4</td>
<td>2.0</td>
<td>2.0</td>
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<tr>
<td><strong>Euribor, 3-month. %</strong></td>
<td>0.2</td>
<td>0.0</td>
<td>-0.3</td>
<td>-0.3</td>
<td>-0.3</td>
</tr>
<tr>
<td><strong>Index of wage and salary earnings, change, %</strong></td>
<td>1.5</td>
<td>1.4</td>
<td>1.2</td>
<td>1.0</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Building cost index, change, %</strong></td>
<td>1.0</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Construction. change of volume, %</strong></td>
<td><strong>-3.6</strong></td>
<td><strong>2.7</strong></td>
<td><strong>6.9</strong></td>
<td><strong>2.5</strong></td>
<td><strong>0.0</strong></td>
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<tr>
<td>Building renovation and modernisation</td>
<td>-0.6</td>
<td>4.7</td>
<td>2.0</td>
<td>2.0</td>
<td>1.5</td>
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<tr>
<td><strong>Investment in construction</strong></td>
<td><strong>-3.8</strong></td>
<td><strong>2.0</strong></td>
<td><strong>8.2</strong></td>
<td><strong>2.5</strong></td>
<td><strong>0.0</strong></td>
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<tr>
<td>Buildings</td>
<td>-5.4</td>
<td>2.2</td>
<td>9.1</td>
<td>2.6</td>
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<td>Civil engineering</td>
<td>4.1</td>
<td>1.3</td>
<td>3.8</td>
<td>2.0</td>
<td>0.5</td>
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<tr>
<td><strong>Building starts, mill. m3</strong></td>
<td><strong>31.4</strong></td>
<td><strong>33.9</strong></td>
<td><strong>37.0</strong></td>
<td><strong>36.0</strong></td>
<td><strong>35.5</strong></td>
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<tr>
<td>Residential buildings</td>
<td>9.5</td>
<td>11.2</td>
<td>11.9</td>
<td>11.4</td>
<td>11.7</td>
</tr>
<tr>
<td>Free-time residential buildings</td>
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<td>0.6</td>
<td>0.6</td>
<td>0.7</td>
<td>0.8</td>
</tr>
<tr>
<td>Commercial buildings</td>
<td>5.9</td>
<td>6.1</td>
<td>5.5</td>
<td>5.8</td>
<td>5.3</td>
</tr>
<tr>
<td>Public buildings</td>
<td>3.0</td>
<td>3.7</td>
<td>4.1</td>
<td>4.2</td>
<td>3.7</td>
</tr>
<tr>
<td>Industrial and warehouse buildings</td>
<td>6.7</td>
<td>8.2</td>
<td>8.9</td>
<td>8.4</td>
<td>8.6</td>
</tr>
<tr>
<td>Agricultural buildings</td>
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<td>2.0</td>
<td>3.8</td>
<td>3.5</td>
<td>3.3</td>
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<tr>
<td>Other buildings</td>
<td>2.2</td>
<td>2.1</td>
<td>2.2</td>
<td>2.0</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Housing starts. number of dwellings</strong></td>
<td><strong>25 300</strong></td>
<td><strong>33 200</strong></td>
<td><strong>37 400</strong></td>
<td><strong>35 000</strong></td>
<td><strong>33 000</strong></td>
</tr>
<tr>
<td>privately financed</td>
<td>17 900</td>
<td>24 700</td>
<td>29 400</td>
<td>26 500</td>
<td>24 500</td>
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<tr>
<td>state subsidized</td>
<td>7 400</td>
<td>8 500</td>
<td>8 000</td>
<td>8 500</td>
<td>8 500</td>
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<tr>
<td>Employment in construction sector, persons</td>
<td>168 833</td>
<td>168 500</td>
<td>178 167</td>
<td>182 000</td>
<td>182 000</td>
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<tr>
<td>Value of international operations of construction companies, bill. €</td>
<td>2.0</td>
<td>1.4</td>
<td>1.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit before depreciation of construction companies, %</td>
<td>4.2</td>
<td>4.2</td>
<td>6.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit before depreciation of construction product companies, %</td>
<td>6.8</td>
<td>8.5</td>
<td>9.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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