

Europe

Regional Analysis

KNOWLEDGE CENTER

September update
2018



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* UPDATED SEPTEMBER 2018

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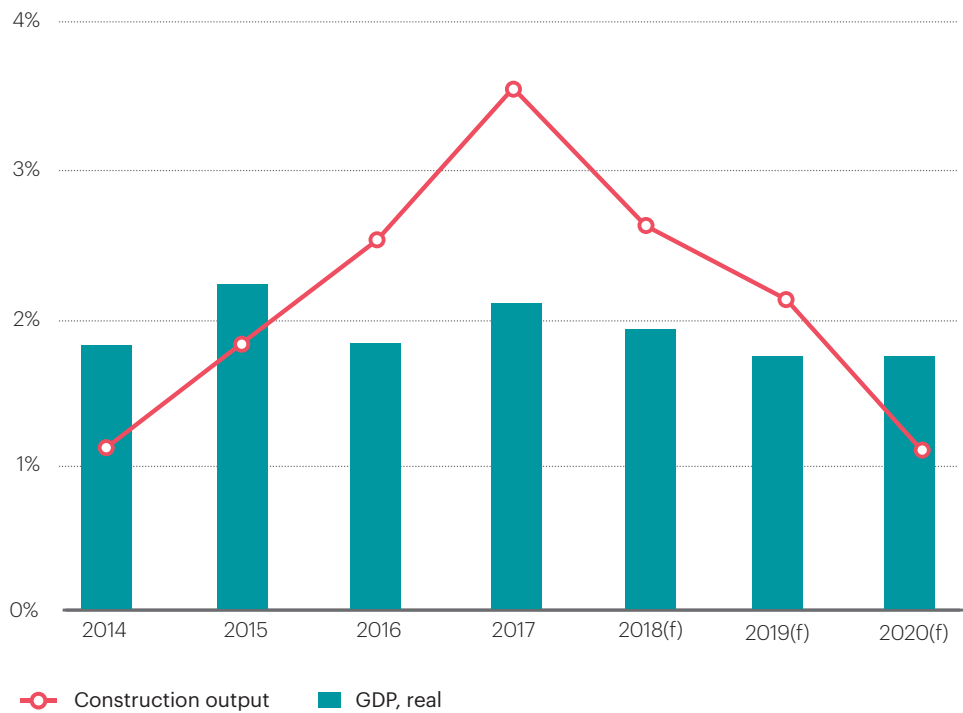
Europe Market Review

The European construction industry is expected to continue to grow steadily over the coming year, averaging at approximately 2 percent.

Output in the European construction industry is estimated to have increased by 3.5% in 2017, with output reaching its highest levels since 2006. Growth in construction output in the EU is set to slow in the years leading up to 2020, with growth rates of 2.6% and 2.1% forecast for 2018 and 2019 respectively. Overall, the European economic outlook remains positive, as GDP continues to increase in almost all EU member states and real GDP growth exceeds expectations with a 2.1% increase. However, GDP growth is set to slow in the coming years, with forecast growth rates of 1.9% in 2018 and 1.7% in 2019.

GDP vs construction output

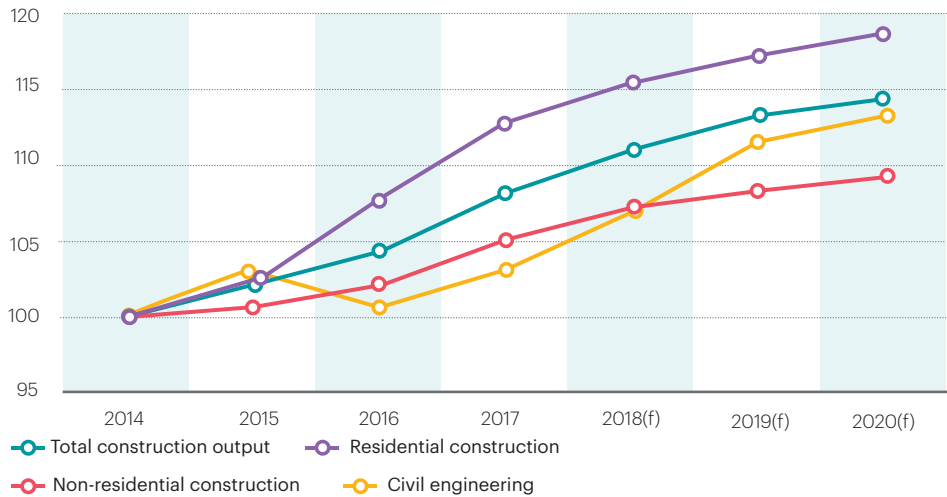
year on year change



Source: Euroconstruct



Index of construction output by sector



Source: Euroconstruct

Residential

Residential construction has contributed to the growth in European construction output more so than any other sector. Demand for residential construction in the EU remains strong, but growth in the sector is set to slow in the coming years. This growth can be attributed to state subsidies and cheap forms of credit. Overall, output remains at sustainable levels, with countries such as Hungary, Ireland and Sweden seeing the most construction activity.

Non-residential

Non-residential construction is recovering at a slower pace than both the Residential and Civil Engineering sectors. Growth is predicted to be between 1.5% and 1.8% for 2018 and 2019. Office construction will perform well above these averages, in line with demand for commercial space. Industrial construction in large economies, such as Germany and the United Kingdom, is expected to decline, and this is unlikely to be offset by improvements in the markets of the Netherlands, Belgium and Denmark.

Civil Engineering

Civil construction has continued to recover throughout 2017, and is forecast to grow by 4% per annum for 2018 and 2019, while the construction industry as a whole is estimated to grow at 2.6% and 2.1% respectively in these years. According to the Global Infrastructure Outlook report, Europe has an investment requirement of US\$14.8 trillion up to 2040, so activity in the sector is set to remain strong in the coming years.

Overall the outlook remains positive, and the European construction industry will continue to grow in the years leading up to 2020 and beyond.



Indices

* Index of production in the European construction sector 2007–2018



Note: Seasonally and calendar adjusted

Source: Eurostat



Construction cost - new residential buildings index

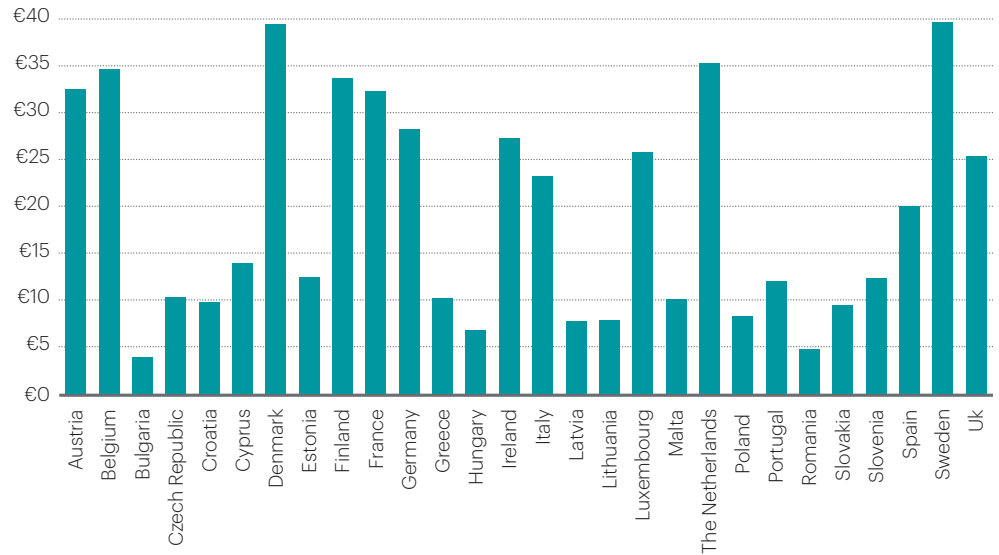
Index (2010=100)	2015		2016		2017	
	Q1	Q3	Q1	Q3	Q1	Q3
Belgium	108.6	109.3	110.3	110.8	111.7	112.6
Bulgaria	103.9	103.1	105.6	104.8	107.6	107.5
Czech Republic	103.0	103.2	102.7	103.5	105.2	106.4
Denmark	110.0	111.9	112.9	113.4	114.2	114.3
Germany	109.1	109.3	109.4	110.8	112.2	114.1
Estonia	114.5	114.5	114.0	114.2	114.5	116.0
Ireland	100.7	100.7	100.7	100.7	101.0	101.9
Greece	95.1	94.1	92.8	92.6	92.9	92.8
Spain	103.1	103.2	99.9	101.9	102.6	104.4
France	103.8	103.7	103.3	104.6	105.7	106.4
Italy	106.1	106.9	106.6	106.7	107.0	107.4
Croatia	94.5	96.9	95.9	94.6	65.0	95.8
Cyprus	98.1	97.7	96.8	97.2	97.3	N/A
Latvia	114.5	113.3	123.2	119.8	122.0	123.2
Lithuania	115.9	118.9	119.1	121.2	122.9	127.0
Luxembourg	110.4	110.9	111.5	112.0	113.1	N/A
Hungary	113.8	117.0	115.7	119.0	123.2	126.9
Netherlands	105.8	106.9	108.6	109.2	110.6	112.4
Austria	108.6	109.7	108.5	110.4	112.6	113.9
Poland	98.7	98.1	97.8	98.0	98.2	98.8
Portugal	105.7	106.2	106.8	108.6	109.5	110.7
Romania	109.7	109.1	108.0	109.7	116.3	118.9
Slovenia	103.8	102.4	100.6	100.9	105.5	106.6
Slovakia	103.2	104.3	104.6	105.4	106.6	108.4
Finland	108.6	108.4	108.5	109.1	109.0	109.4
Sweden	109.8	111.1	111.9	113.8	114.9	116.7
United Kingdom	112.3	113.9	115.6	116.9	120.0	N/A
Malta	108.5	108.5	111.6	111.8	112.1	114.3
European Union Average	106.7	107.2	107.0	108.2	109.5	110.7

Note: n/a = not available

Source: Eurostat



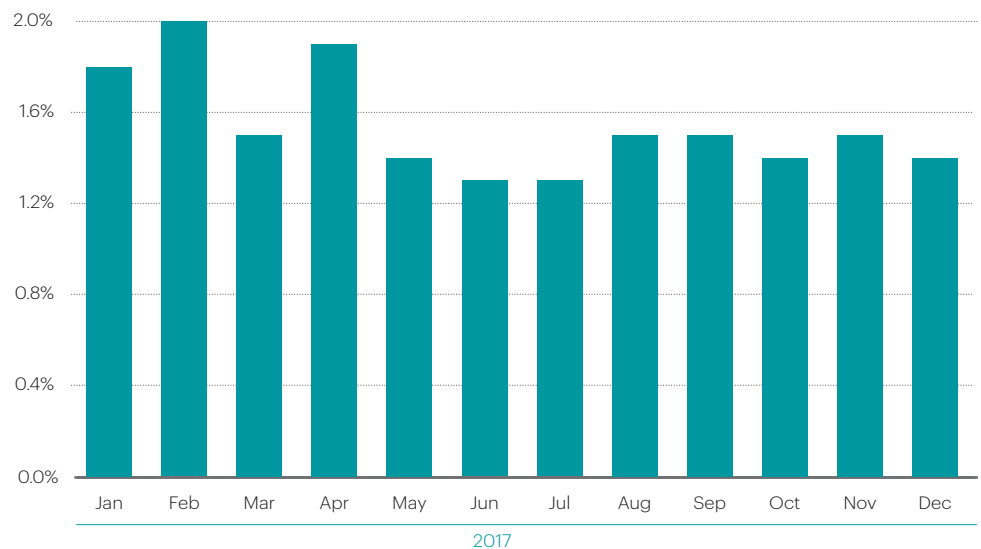
EU labour costs in construction 2017



Note: Hourly labour costs

Source: Eurostat

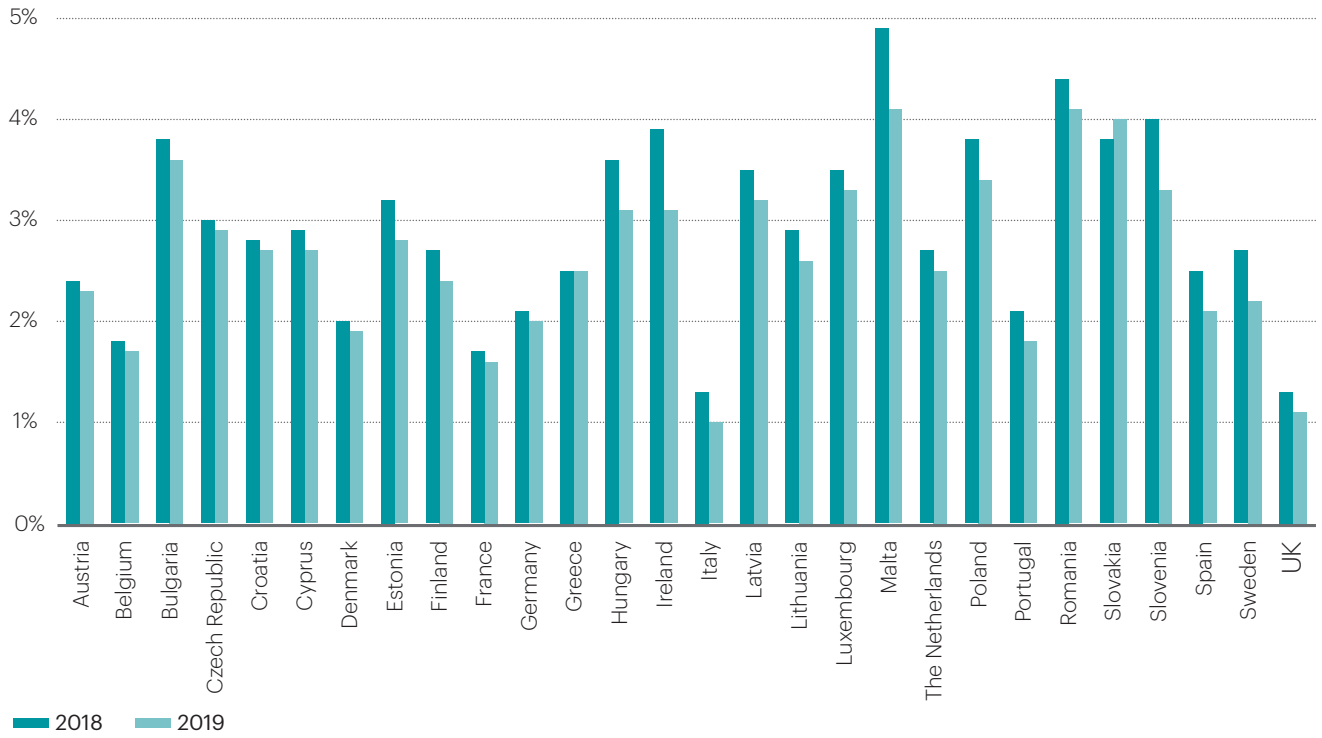
EU inflation 2017



Source: Trading Economics/Eurostat



Forecast Europe GDP annual % change 2018-2019



Source: Europa.eu



Top contractors and design firms

Top 15 European contractors

2017 rank	2016 rank	Global rank	Firm	Revenue (€ bn)
1	1	6	VINCI, France	42.67
2	2	7	ACS, Spain	37.33
3	3	10	Bouygues, France	26.35
4	4	13	Hochtief Aktiengesellschaft, Germany	24.02
5	5	17	Skanska, Sweden	15.41
6	6	20	Strabag, Austria	14.22
7	8	23	Technip, France	12.23
8	7	25	Ferrovial, Spain	11.83
9	10	32	Saipem, Italy	9.12
10	9	39	Royal BAM Group, The Netherlands	7.70
11	11	45	Petrofac Ltd, U.K	7.07
12	-	48	FCC SA, Spain	6.60
13	15	50	NCC AB, Sweden	6.18
14	-	51	Consolidated Contractors Group, Greece	6.12
15	14	63	Tecnicas Reunidas, Spain	5.13

Note: 2017 ranking is based on 2016 construction revenue

Source: Engineering News Record

Top 15 European design firms

2017 rank	2016 rank	Global rank	Type of firm	Firm	Revenue (€ bn)
1	1	7	EC	Arcadis NV, The Netherlands	3.71
2	2	11	EA	WS Atkins Plc, U.K.	2.83
3	4	17	EC	Mott Macdonald, U.K.	2.16
4	3	19	GE	Fugro NV, The Netherlands	1.95
5	8	21	EA	Sweco AB, Sweden	1.93
6	5	24	E	Arup, U.K.	1.78
7	6	26	EC	Tecnicas Reunidas, Spain	1.62
8	7	28	E	Ramboll Gruppen A/S, Denmark	1.57
9	9	32	E	AF Group, Sweden	1.30
10	10	36	EC	Egis, France	1.13
11	11	42	EC	Cowi A/S, Denmark	0.84
12	-	43	EC	Technip, France	0.82
13	15	44	EC	Petrofac Ltd., U.K.	0.80
14	12	51	EC	Systra, France	0.71
15	13	55	EC	Royal Haskoningdhv, The Netherlands	0.66

A - architect; E - engineer; EC - engineer-contractor;

Note: 2017 ranking is based on revenue for design services performed in 2016.

Source: Engineering News Record



EU procurement

EU procurement timescales 2018

The time limits under DIRECTIVE 2014/24/EU are set out below. Without prejudice to these minimum timescales, contracting authorities must have regard to the complexity of the contract and the time required for drawing up tenders when setting the time limits.

Normal minimum time	Time if electronic tender is permitted	Time if project is urgent [1]	Time where PIN is published [2]	Time if authority is a Sub-Central authority [3]
Open procedure				
Minimum time limit for receipt of tenders				
35 days	30 days	15 days	15 days	-
Restricted procedure				
Minimum time for request to participate				
30 days	30 days	15 days	30 days	30 days
Minimum time limit for tenders				
30 days	25 days	10 days	10 days	By agreement with tenderers. In the absence of agreement, a minimum time limit of 10 days applies
Competitive dialogue and innovation partnerships				
Minimum time for request to participate				
30 days	30 days	N/A	N/A	30 days
Minimum time limit for tenders				
No explicit time limit for submission of initial/subsequent tenders				
Competitive procedure with negotiation				
Minimum time for request to participate				
30 days	30 days	15 days	30 days	30 days
Minimum time limit for initial tender				
30 days	25 days	10 days	10 days	By agreement with tenderers. In the absence of agreement, a minimum time limit of 10 days applies[4]

Notes:

[1] Where a state of urgency exists (which is duly substantiated by the contracting authority) and renders the normal time limits impracticable.

[2] Prior information notice with required content which was not itself used as a means of calling for competition published at least 35 days and not more than 12 months before the date on which the contract notice was sent.

[3] Some or all categories of Sub-Central authorities (not a central government authority) may be permitted by national regulation to set reduced time limits by agreement with tenderers.

[4] May vary by jurisdiction.

Source: Directive 2014/24/EU



EU procurement thresholds 2018 and 2019

Public Contracts Directive (2014/24/EU)

Central government authorities	Works contracts	€5,548,000
	Social and other specific services subject to the "Light Touch" regime	€750,000
	Subsidised services	€221,000
	All other service contracts and all design contests	€144,000
	Supplies contracts awarded by contracting authorities not operating in the field of defence	€144,000
Sub-central contracting authorities	Works contracts	€5,548,000
	Social and other specific services subject to the "Light Touch" regime	€750,000
	All other service contracts, all design contests, subsidised service contracts, all supplies contracts	€221,000

Utilities Directive (2014/25/EU)

Utilities	Works contracts in the sectors of water, energy and transport	€5,548,000
	Supplies and services in the sectors of water, energy, and transport	€443,000
	Social and other specific services in the sectors of water, energy, and transport subject to the "Light Touch" regime	€1,000,000

Concessions Directive (2014/23/EU)

Concession contracts	€5,548,000
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Note: Effective from the 1st January 2018, public procurements whose value equal or exceed the above thresholds are subject to the detailed procedures for the award of contracts set out in the relevant directive. The thresholds are net of VAT.

Source: Directives (2014/24/EU)(2014/25/EU)(2014/23/EU)



Exchange rates

* Currency movements – Euro vs various European currencies

Year	Bulgarian lev	Croatian kuna	Czech koruna	Danish krone	Hungarian forint	Polish zloty	Romanian leu	Russian rouble	Swedish krona	Turkish lira
	BGN	HRK	CZK	DKK	HUF	PLN	RON	RUB	SEK	TRY
2018*	1.96	7.44	25.72	7.46	326.14	4.32	4.64	80.55	10.58	7.66
2017	1.96	7.46	26.36	7.44	309.19	4.34	4.51	65.94	9.64	4.12
2016	1.96	7.66	27.03	7.46	312.30	4.44	4.54	82.85	9.35	3.24
2015	1.96	7.64	27.58	7.45	309.06	4.19	4.43	56.43	9.22	2.84
2014	1.96	7.63	27.45	7.46	300.75	4.18	4.50	45.28	8.86	2.96
2013	1.96	7.58	25.98	7.46	296.87	4.20	4.42	42.34	8.65	2.53
2012	1.96	7.54	25.72	7.44	314.63	4.47	4.34	40.83	8.70	2.40
2011	1.96	7.44	24.59	7.45	279.37	4.12	4.24	40.88	9.03	2.34
2010	1.96	7.29	25.28	7.45	275.48	3.99	4.21	40.26	9.54	2.00
2009	1.96	7.34	26.43	7.45	280.33	4.33	4.24	44.14	10.62	2.16
2008	1.96	7.22	24.95	7.46	251.51	3.51	3.68	36.42	9.62	1.91

Note: *Based on September exchange rates

Source: European Central Bank



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