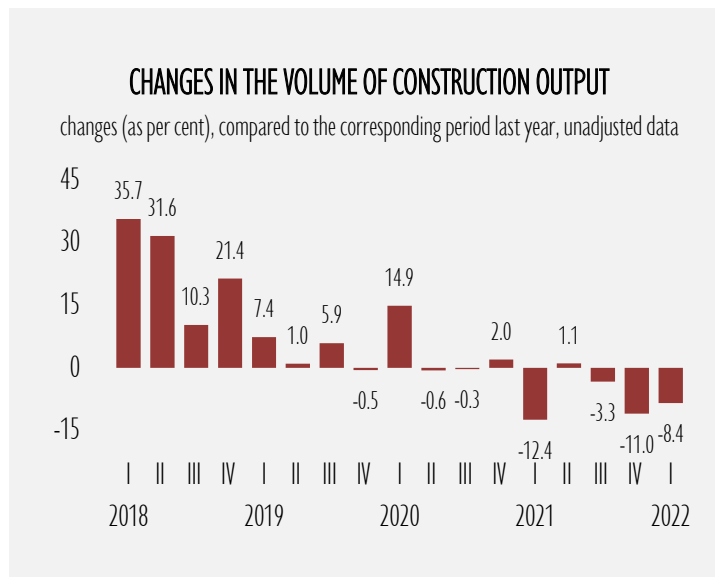


## On Construction in Q1 of 2022

## The sharp rise in prices causes a decline in construction for the third consecutive quarter

In Q1 of 2022, according to unadjusted data, the volumes of construction output were by 8.4% lower than a year ago. The sharp rise in prices affected the decline in construction for the third consecutive quarter. Production volumes have fallen below the level of Q1 of 2019, excluding the base effect of the unusually warm winter of 2020, which was favourable for construction. One of the reasons for the negative trends is the declining demand for the sector's services due to the uncertainty caused by the geopolitical situation. The increase in construction costs, especially in the field of construction materials, affects both existing construction projects and the launch of new projects.



In Q1 of 2022, a decline in production volumes was observed in all sub-sectors of construction. Construction of buildings declined more moderately; however, the sharpest decline was observed in civil engineering.

Also, in Q1 of 2022, compared to the corresponding period last year, the volume of construction of buildings declined by 7.1%. The construction of residential buildings declined to a lesser extent than the construction of non-residential houses.

In Q1 of 2022, compared to Q1 of 2021, the production volumes of civil engineering declined by 15.8%. The decline affected all areas of civil engineering.

Similarly, in Q1 of 2022, the production volume of specialized construction works declined by 7.7%. Low demand had a negative impact on all sub-sectors.

In Q1 of 2022, an increase in the number of issued building permits was observed. During this period, 1108 building permits were issued, which was 10.2% more than in the corresponding period of 2021. However, expected floor space growth was more rapid – i.e., by 20.3%.

Assessing the short-term growth prospects of construction, it can be forecast that the main factor will remain the increase in costs, which affects demand. These trends will largely determine how the sector and customers will be able to cope with the rapid cost growth shock.