

## On Construction in Q1 of 2023

**Construction is starting to recover after two years of recession**

In Q1 of 2023, according to unadjusted data, construction production volumes increased by 17%, compared to the first quarter of 2022. This can be explained by the ability of the sector and customers to adapt to the challenges of recent years, such as the rapid increase in construction costs and difficulties in the availability of construction materials. In addition, the growth rate is also determined by the low base effect of the sector's two-year recession.

The recovery in the first quarter of this year is visible in all the main construction groups. The most rapid growth was observed in building construction, while the most moderate - in civil engineering.

Building construction volumes in the first quarter of 2023 were 25.2% higher than a year ago. The volume of both residential and non-residential houses increased at a similar pace.

The volumes of engineering construction in this period were 6.3% higher than in the first quarter of 2022. Activity increased in construction of urban infrastructure facilities and other engineering construction (consisting of construction of hydrotechnical facilities and engineering construction not elsewhere classified), while road and railway construction was the only construction segment with negative indicators.

In Q1 of 2023, the growth rate of specialized construction works increased by 13.1%, compared to the corresponding period last year. The increase in activity can be observed in all segments of specialized construction works.

Analyzing the building permit data, a total of 977 building permits were issued in the first quarter of 2023, representing a 14.1% decline, compared to the corresponding period last year. However, the estimated area in buildings shows an increase of 2.9%. This was largely driven by private houses in the residential segment, as well as office buildings, and industrial production buildings and warehouses in the non-residential segment.

A return to growth and a slowdown in construction cost growth are factors that allow for a more optimistic view of the sector's future. However, it should be considered the complex geopolitical situation and uncertainty retain their influence on the construction sector.

