

# Czech builders expect a production decline by 9% this year

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The production volume of the domestic construction sector in this first seven months of this year was, according to data from the Association of Building Entrepreneurs (SPS), 4.2% lower year-on-year. SPS has several scenarios for the development during the whole year, and considers the optimistic scenario as the most likely. According to it, building production will drop by 9% in 2009, while the catastrophic scenario counts on a 15% plunge.

SPS makes its projections on the assumption that the demand of the private sector will be much lower than in the past (it usually accounted for 50% of the production) and the public sector will be the main driving force for the construction industry, especially thanks to infrastructure projects. In this respect, Václav Matyáš, SPS President, appreciated the current government's actions to secure everything possible for this possibility (CZK 96 billion are rumoured today): "The Fischer administration rules, and rules professionally." At the same time he expressed his concerns about usual obstructions that accompany most major construction project here and that could prevent the utilization of the sum mentioned above. Matyáš pointed at the current decline in new contracts, whose volume dropped almost by 25% in the first 6 months, compared to 2008. According to SPS, the whole sector, including its suppliers, will face serious problems in the near future. Matyáš also argues that the recent decision by Skanska to release 1,000 workers is nothing unusual, but existential problems will mostly plague smaller firms with insufficient capital.

In their analysis of the condition and outlooks in the industry, the builders are calling for bigger state interventions. From an organizational point of view, they criticize the ambiguity of public administration. Today, the construction industry is under the competency of three ministries (industry and trade, regional development and the environment), and the Ministry of Industry and Trade cancelled its Construction Department a short time ago. As regards actual measures, SPS argues that the sector would especially need legislative support in construction preparation, because construction projects are successfully blocked by civil initiatives. A requirement on a temporary VAT reduction (from 9% to 6% for two years) and for support for vocational education was voiced once again. According to SPS, the maturity of invoices within one month should be also stipulated legislatively; in addition, supplier credits should be withdrawn from standard business conditions and state contracts worth over CZK 500 million should be subject to a detailed expert assessment to mitigate unfair practices.

SPS also argues that the construction sector is very important for the state and its incomes thanks to multiplication effects. The builders' calculations show that each construction investment of CZK 1.2 million creates 3.2 - 3.5 new jobs and each CZK 100 million of construction investments generate CZK 55.5 million for the national budget each year. Today, the construction sector has a 7% share in GDP and 9% in the employment rate.

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