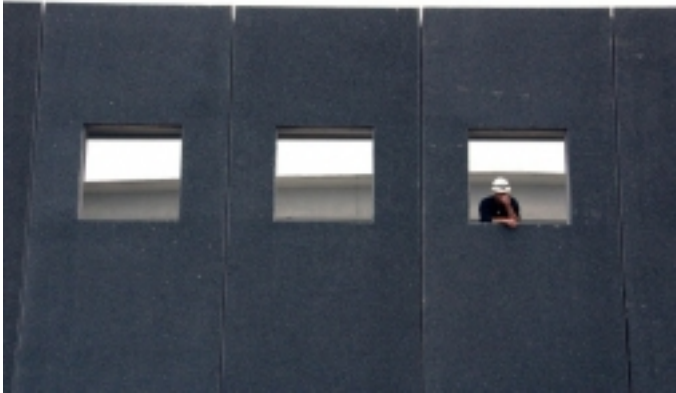


Situation and perspectives of a) Scandinavian and b) Czech builders



Author: SF / Petr Bým | Published: 22.02.2011

The last economic crisis showed that impacts of economic decline or recessions are not nearly the same everywhere. Among other things because the states intervene in economic life everywhere and their policies vary from country to country. In our country, for example, it is not favourable for builders today. Budget cuts have significantly decreased construction of transport infrastructure while it was a very substantial source of contracts for construction companies. According to some experts, this is the reason why Czech builders will have to wait longer for the end of the crisis than their foreign counterparts. According to some forecasts, construction sector is slowly recovering from the worst in almost all European countries, with two exceptions: Britain and the Czech Republic.

Skanska: by Scandinavian standards

“Although the recession has officially ended, this doesn’t apply to construction industry!” - Dan Ťok, head of Czech-Slovak “branches“ of the global construction company Skanska, stated at the annual press conference. Last year’s (ie. not even two months old) Skanska results show that his words “time is not too favourable for builders“ are true. Sales of the company, which continues in the Czechoslovak tradition and operates jointly in the Czech and Slovak markets, fell by 22 % and its net profit by 11 %. However, it has downsized - after a large diet in 2009 - by only 5 %. The company attributes the loss of revenues both to small volume of commissions and to the factor of lower realized price. However, not the entire statistical balance of last year has a minus sign. Perhaps somewhat surprisingly, property development division reported more than 50 % growth in sales, in the sale of flats - up from mere 269 in 2009, Skanska succeeded in selling 415 (although at the time of Czech residential boom it was over six hundred flat units).

“We feel a great shortage of work!“ D. Ťok says regarding upcoming projections although Skanska has supply of work for 12 months. Moreover, fall of orders in the Czech Republic may be reduced by more positive development in Slovakia and activities in the Polish construction market. In addition, there is a “feel“ of certain recovery in the private investment sector even though presale remains a rather big problem for developers despite the renewed willingness of banks to lend for their projects.“ First man of Skanska briefly reviewed last year as follows: “We don’t expect any significant decline in orders. And we hope that 2011 will be the last difficult year.“

Despite the difficult (but hopefully not catastrophic) times, Skanska is very agile outside the construction

sphere alone. In particular, it is worth mentioning their involvement in Koalice pro transparentní podnikání (Coalition for Transparent Business); this is company counterpart to Platforma pro transparentní veřejné zakázky (Platform for Transparent Public Procurement), which has institutional character. In addition, Skanska is also involved in occupational safety (Czech construction industry regularly has about 50 fatal work injuries per year). And if we return to Skanska's line of business, the company is still likely to be the main engine for sustainable and green building in our country - it relies on LEED certification - it is building the administration building City Green Court in platinum version.

Czech Republic: blood, tears and dietary optimism

The situation in the Czech construction sector was assessed at the recent meeting of Czech construction industry leaders 2011 and it is necessary to say that, at least in terms of words, it looks worse than for our Scandinavian builders. To put it lyrically short, 2011 will see blood and tears; on the other hand, it will also be the year of necessary transformation. And the main problem of the market remains continuing weak demand from private sector, in addition accompanied by significant decreasing demand from public sector. This further intensifies competition and leads to decline in construction work, among other things. The positive side of weak demand is thus forced increasing of efficiency and changing in functioning of construction industry as a whole - ie. its transformation.

Results of research conducted by CEE Research, which is based on interviews with construction industry management, predict decline of building market by further 5.5 % on 2010 for this year. However, their building celebrities are a little more optimistic compared to last year. In October 2010 they were expecting a deeper fall in 2011 - by 6.1 %. But there is a consensus that the decline in the construction market, which struck last year, will continue.

Determination to fight the current situation is also shown in the latest prediction of sales of construction companies. Compared to October 2010 when companies estimated sales decline of 2.6 % (for 2011), they now estimate roughly half decrease (of 1.4 %) in 2011. In 2012 sales could start to grow again, by 2.5 %. In October, directors of construction companies believed only in half a per cent sales growth in 2012. This trend is also confirmed by Pavel Kliment, the partner in charge of real estate and construction companies at KPMG Czech Republic. "Compared to the previous study, a slight increase in optimism for 2012 is apparent." At the same time, there are voices, perhaps not sceptical yet cautionary. "I do not see realistically that construction industry may return to the level of three years ago in the following five years." - so much for František Vaculík, managing director of PSJ. These words resonate a bit with similar views of other experts, who suppose that the Czech economy is slowly reaching "normal" trajectory where pre-crisis performance of the sector will not be repeated, however.

Regardless of the above, there are still chronic economic ills of Czech construction: bureaucracy, unreasonably lengthy and complicated approval processes. Any progress in this area would undoubtedly help builders. It is a question whether it will occur even if promises by the government are here (again). "The main objective of Building Act and Public Procurement Act amendments as well as the currently drafted housing policy, which we intend to present in the first half of this year, is a relief to builders and benefits to the entire construction field! - said Kamil Jankovský, Minister for Regional Development.

22.02.2011 09:38, SF / Petr Bým