Strategy | Management | Consultancy

Europe

Regional Analysis

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Contents

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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

The European construction industry did not reach the growth expectations predicted last year (3 percent), but did manage to record 2 percent. It is expected to continue to grow steadily during 2017, averaging a further 2 percent growth approximately overall.

Broken down into the main sectors, the following summarizes the outlook for the coming year:

Residential

Residential construction has maintained strong growth and has improved on previous 2016 predictions. This is due to a number of factors including cheap forms of credit. Output in France, Germany and the United Kingdom continues at a sustainable level, while output in a number of the smaller European countries has picked up, following previous years where output was low.

Non-residential

Non-residential construction is in the early stages of recovery since declining in 2016. Growth is predicted to be between approximately 1.5 and 1.8 percent for 2018/2019. Office construction will perform above these averages, as it recovers from a period of significant contraction. 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.

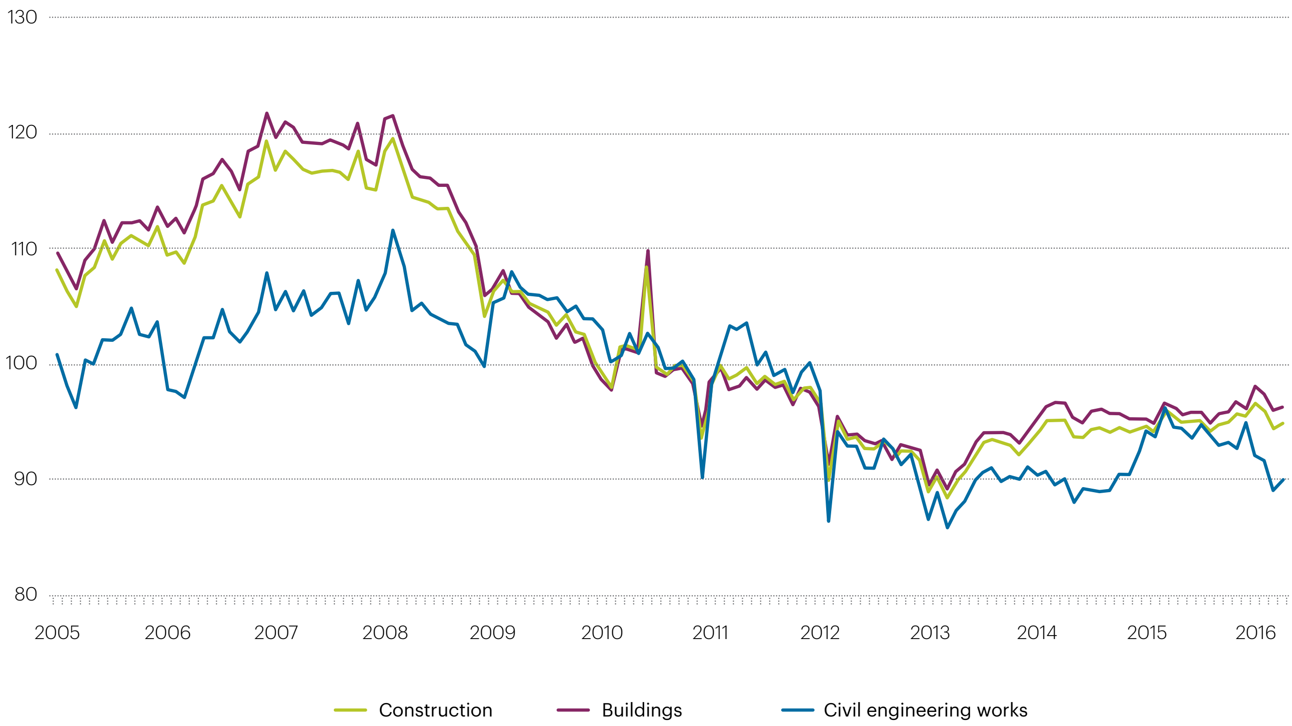
Civil Engineering

Civil construction is the sector which has seen the most sluggish growth, and indeed experienced contraction in 2016 (1 percent). The reason for this differs from country to country, but is largely attributable to a few key factors; the period of transition for the four Central Eastern countries, fiscal imbalances in Portugal and Spain, and a period of low activity in the United Kingdom. However, it is expected that once funds begin to flow back into the Eastern countries from the EU, European Civil Engineering will be in a position to resume growth in 2017 (1.8 percent).

Overall the outlook remains positive, and the European construction industry will continue to grow in the short to medium term.

Indices

Index of production in the European construction sector 2005–2016



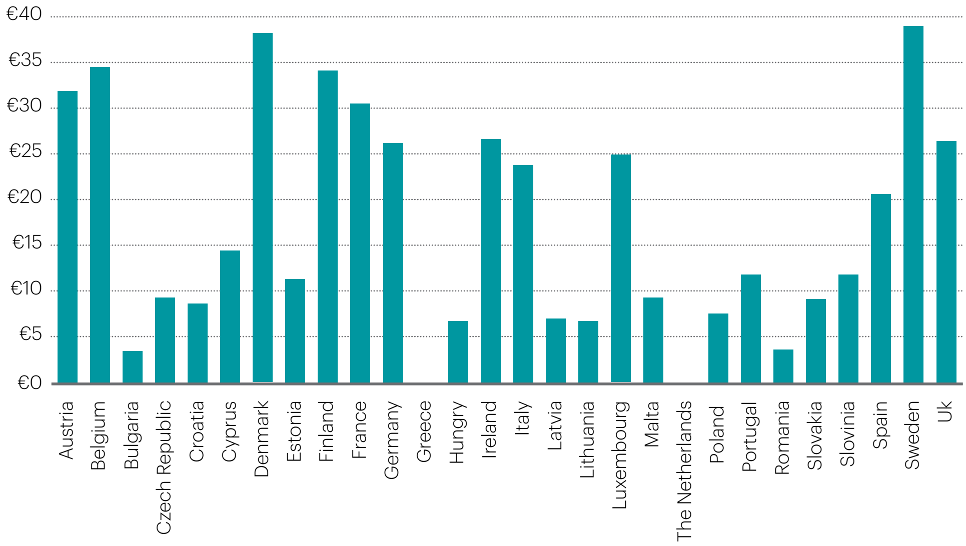
(Seasonally and working day adjusted)
Source: *Eurostat*

Construction cost – new residential buildings index

Index (2005=100)	2014 Q1	2014 Q3	2015 Q1	2015 Q3	2016 Q1	2016 Q3
Belgium	107.3	107.4	108.6	109.3	110.3	n/a
Bulgaria	101.9	101.3	103.9	103.1	105.3	104.8
Czech Republic	102.7	103.2	103.0	103.2	102.7	103.5
Denmark	108.7	109.9	110.0	111.9	112.9	n/a
Germany	107.8	108.0	109.2	109.3	109.4	110.9
Estonia	114.2	113.4	114.5	114.5	114.0	114.2
Ireland	99.5	100.6	100.7	100.7	100.7	n/a
Greece	97.2	96.3	95.1	94.1	92.8	92.6
Spain	104.0	104.0	103.1	103.0	99.9	101.9
France	104.4	104.3	103.8	103.4	103.2	104.3
Italy	105.7	106.3	106.1	106.9	106.6	106.7
Croatia	90.2	94.0	94.5	96.9	95.9	n/a
Cyprus	98.4	98.1	98.1	97.7	96.8	97.2
Latvia	110.5	109.5	114.5	113.3	123.2	119.8
Lithuania	114.0	115.9	115.9	118.9	119.1	121.2
Luxembourg	109.0	109.8	110.4	110.9	111.5	n/a
Hungary	110.9	112.5	113.8	117.0	115.7	119.9
Netherlands	104.4	104.9	105.7	107.2	108.6	109.2
Austria	106.8	108.0	108.6	109.7	108.5	110.4
Poland	99.0	98.9	98.7	98.1	97.8	n/a
Portugal	106.4	106.3	105.7	106.2	106.8	108.6
Romania	109.8	111.1	109.7	109.1	108.0	109.7
Slovenia	102.9	101.7	103.8	102.4	100.6	100.9
Slovakia	102.0	102.7	103.2	104.3	104.6	n/a
Finland	107.6	108.1	108.4	108.6	108.5	109.1
Sweden	108.3	108.4	109.8	111.1	111.9	113.8
United Kingdom	110.9	113.8	116.5	113.9	116.0	n/a
Malta	108.4	107.9	108.4	108.7	111.6	111.7
European Union Average	105.5	105.9	106.6	106.9	107.2	108.5

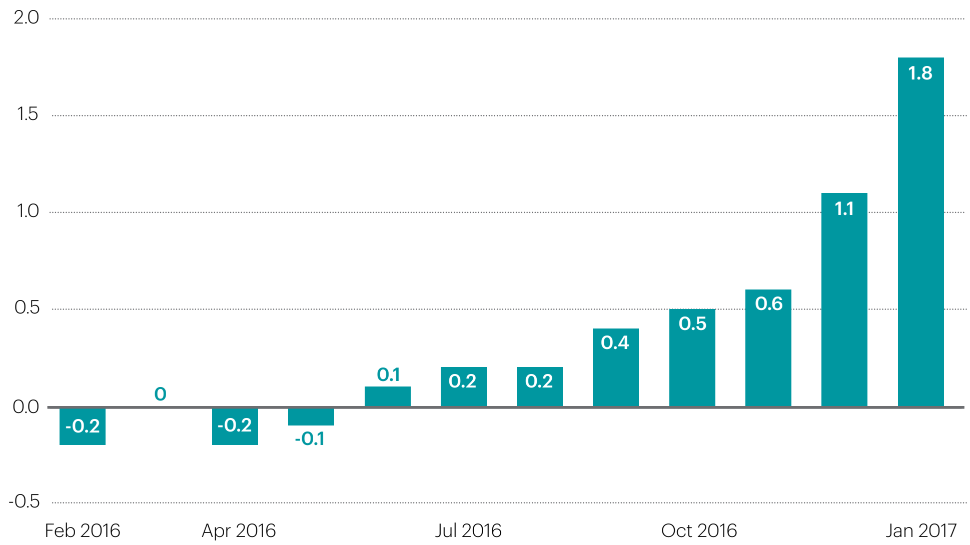
Note: *n/a = not available*
Source: *Eurostat*

EU labour costs in construction



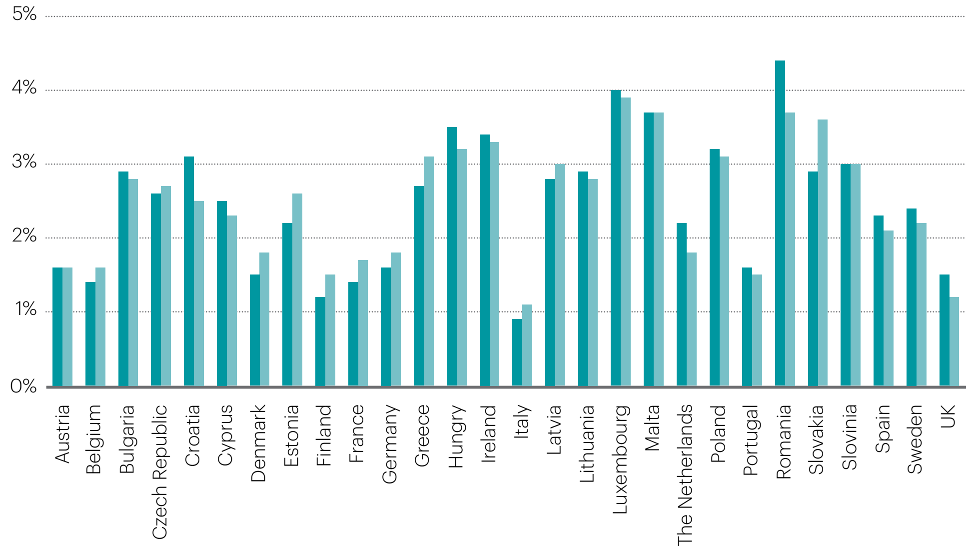
Note: *Rates for The Netherlands and Greece Not Available*
Source: *Eurostat*

EU inflation rates



Source: *www.tradineconomics.com, Eurostat*

Forecast Europe GDP annual % change 2017–2018



Source: *Europa.EU*

Top contractors and design firms

Top 15 European contractors

2016 Rank	2015 Rank	Firm	Revenue (€ bn)
1	1	VINCI, France	40.35
2	2	ACS, Spain	35.82
3	3	BOUYGUES, France	26.21
4	4	HOCHTIEF, Germany	23.77
5	5	SKANSKA, Sweden	14.89
6	6	STRABAG, Austria	14.45
7	8	TECHNIP, France	12.58
8	7	EIFFAGE, France	11.85
9	10	FERROVIAL, Spain	9.91
10	9	SAIPEM, Italy	9.60
11	11	ROYAL BAM GROUP, The Netherlands	6.89
12		NCC AB, Sweden	6.88
13	15	PETROFAC LTD, U.K	5.71
14		CONSOLIDATED CONTRACTORS GROUP, Greece	5.59
15	14	OHL, Spain	5.05

Note: *2016 ranking is based on 2015 construction revenue*
Source: *Engineering News-Record*

Top 15 European design firms

2016 Rank	2015 Rank	Type of Firm	Firm	Revenue (€ bn)
1	2	E	ARCADIS, The Netherlands	3.52
2	4	EA	ATKINS, U.K.	2.52
3	3	GE	FUGRO, The Netherlands	2.41
4	5	E	MOTT MACDONALD GROUP, U.K.	2.08
5	6	E	ARUP, U.K.	1.61
6	9	EC	TECNICAS REUNIDAS, Spain	1.50
7	7	E	RAMBOLL GROUP, Denmark	1.46
8	11	E	SWECO, Sweden	1.25
9	10	E	AF, Sweden	1.10
10	12	E	EGIS, France	0.95
11	14	E	COWI, Denmark	0.76
12		E	SYSTRA, France	0.70
13	13	E	ROYAL HASKONINGDHV, The Netherlands	0.67
14	15	E	TRACTEBEL ENGINEERING, Belgium	0.65
15		EC	PETROFAC, U.K.	0.65

Note: *2016 ranking is based on revenue for design services performed in 2015.*
Key to Type of Firm: *A – architect; E – engineer; EC – engineer-contractor; GE – geotechnical engineer*
Source: *Engineering News-Record*

EU procurement

EU procurement timescales 2017

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 2017

Central Government authorities	Works contracts		€5,225,000
	Social and other specific services subject to the "Light Touch" regime		€750,000
	Subsidised services		€209,000
	All other service contracts and all design contests		€135,000
	Supplies contracts awarded by contracting authorities not operating in the field of defence		€135,000
	Supplies contracts awarded by contracting authorities operating in the field of defence	Relating to products listed in Annex III of EU Directive 2014/24/EU	€135,000
		Relating to other products	€209,000
Sub-central contracting authorities	Works contracts		€5,225,000
	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		€209,000
Utilities	Works contracts in the sectors of water, energy and transport		€5,225,000
	Supplies and services in the sectors of water, energy, and transport		€418,000
	Social and other specific services in the sectors of water, energy, and transport subject to the "Light Touch" regime		€1,000,000

Source: *Directive 2014/24/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
2017*	1.96	7.50	25.98	7.44	310.67	4.30	4.60	68.25	9.65	4.20
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

Note: **Based on September exchange rates*
Source: *European Central Bank*

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