

Three becomes 102

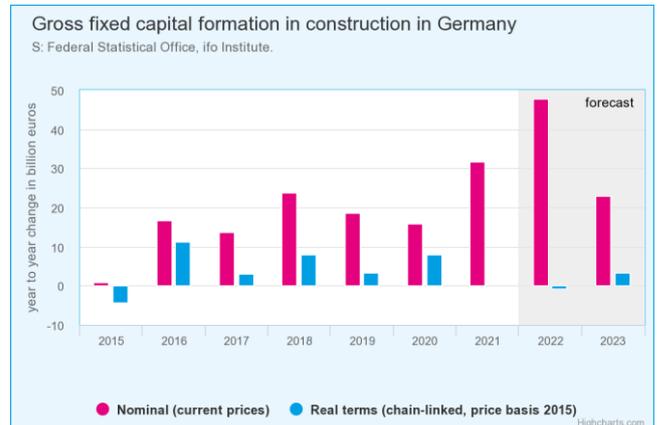
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The exorbitantly high rates of price increases for construction services as a result of the Corona and Ukraine crises have noticeably reduced the meaningfulness of nominal market developments. This can also be seen for construction investments in Germany. On the one hand, these are likely to increase nominally by 102 billion euros in the period 2021-23. However, this growth is almost entirely due to higher prices. In real terms, only a plus of 3 billion euros remains.

The surprisingly strong recovery in demand after the initial Corona shock in the spring of 2020 and the considerable problems in global container shipping have caused quite a stir in the supply of building materials in 2021, and not only in Germany. This was accompanied by a sharp rise in the price of numerous materials, which was in turn successively passed on to the clients by the construction companies, but mostly not in full. Actually, the signs had been pointing to an easing of the situation since mid-2021. From March 2022 onwards, however, German construction companies increasingly complained about construction hindrances due to material shortages caused by the consequences of the Ukraine war. At the peak, the supply problems were more dramatic than in the previous year. The construction companies were again forced to pass on the costs to the builders or to actually renegotiate because the suppliers no longer even wanted to guarantee the sales prices at the time of ordering.

The sharp rise in material prices is the main reason why construction measures have been rapidly increasing in price for some time. A look at the official calculations on construction investments (part of gross fixed capital formation; all construction services including ancillary costs such as planning services, but excluding maintenance projects) reveals the consequences for the nominal change. As can be seen in the figure, nominal growth (price and quantity change) and real growth (pure quantity change) are falling further and further apart. Already in 2018, the Federal Statistical Office calculated an above-average price increase of 4.7%, while construction services 'only' expanded by 2.6% in price-adjusted terms. Translated into value terms, this means that construction investments increased by 24 billion euros

in nominal terms in 2018, but by only 8 billion euros in price-adjusted terms.



Against the background of the now extremely strong price increases, the nominal market development has decoupled from the real one. Due to the enormous supply-related construction bottlenecks, but also noticeable restraint on the demand side (e.g. due to the interest rate turnaround, difficult economic environment), very weak real growth is expected for the period 2021-23. At the same time, prices explode (2021: +8.3%; 2022: +11.9%, 2023: +3.9%). This results in a development that was not even rudimentally observable in the past three decades: in the three years 2021 to 2023, construction investment will increase by a total of just under 3 billion euros in price-adjusted terms (chain-linked with price basis 2015). However, this mini-growth can only be achieved because an additional 102 billion euros will be raised in current prices. In other words: 102 billion euros are needed to increase the real market volume by only 3 billion euros. By the way: rebasing the chained market values to a price level closer to the current edge, say to the year 2021, makes no significant difference. As a result, the real increase in the three years would even be minimally smaller.



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