

Q4 22 sees a low value of construction start in Hungary

Buildecon's latest EBI Construction Activity Report has found that after the weak third quarter, Q4 2022 saw a slight nominal expansion in Activity-Start in Hungarian construction. Nonetheless, the value of started construction works was still very low; between October and December 2022 they totalled roughly HUF 650 billion.

Key points:

- The total value of started projects on the whole construction market expanded by 21% at current price, meaning 1% shrinkage at constant price in 2022.
- The value of started building construction works were up 3% at current price, that is 17% down at comparable price in 2022. BMW plant and CATL mega-plant commenced.
- The value of started civil engineering works jumped by 65% at current and 40% at constant prices in 2022. The Hungarian section of the Budapest-Belgrade railway started.

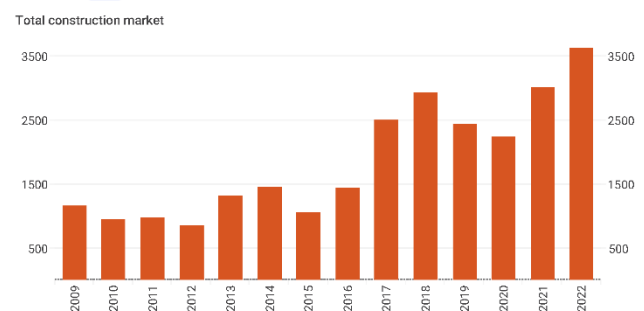
EBI Construction Activity Report is Buildecon's research on processing one of the biggest construction project databases in Hungary to create aggregates from project data. Aggregation is done quarterly for 18 segments of the market by constructed object type. Through different aggregation procedures, three indicators are created: Activity Start (=total value of started construction works in a period), Activity Completion (=total value of completed construction works in a period) and Output (=the amount spent on construction in a period). The cooperation includes iBuild (project research and database), Eltinga and Buildecon (creation of indicators and algorithms). 4 reports and 12 data updates (visualization) are published annually. The EBI Construction Activity Report yearly subscription can be purchased at ebi@ibuild.info.

For better comparability, Buildecon has also looked at the development of project starts at constant prices. This shows that Q3 and Q4 combined witnessed the worst H2 results since 2017. Yet, whole-year-figures were high thanks to the higher Activity-Start in the first two quarters of 2022 and projects entered construction on more than HUF 3600 billion. Although it was a new record at current prices, it did not approach the highest values of 2017 and 2018 at constant prices and was at the level of 2019 and 2021. Annual change compared to 2021 at current prices was about 21%, while at constant prices it meant a drop of 1%.

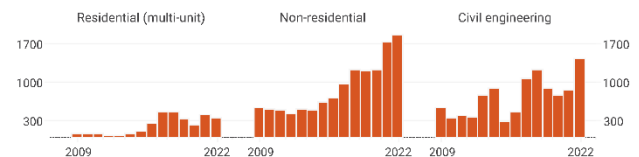
Expansion in started building construction works in Q4 2022

The modest Activity-Start rise in Q4 was mostly coming from the expansion of building construction with the value of started construction works being HUF 500 billion in Q4 2022. Overall, the entire 2022 brought high numbers. Projects worth more than HUF 2000 billion entered implementation - the highest ever registered.

Activity-Start, total value of started construction works
HUF billion (at current price)



Submarkets on comparable scale



EBI Construction Activity Report Q4 2022

In Q4 the improvement over Q3 was evident in building construction even at constant prices. But the value of started works, except for 2020, was lower than the quarterly values of the past years. At constant prices, the Activity-Start indicator dropped in 2022 (-17%) and was roughly at the level of 2019. The better last three months were also typical for multi-unit housing and non-residential buildings, whether we look at current or constant prices.

In 2022, non-residential construction works were launched at a value of more than HUF 1800 billion, nominally the highest amount in the history of the database. Thanks to the good first half of the year, last year was considered a strong year in real terms, too; at constant price the third highest Activity-Start was recorded (after 2018 and 2021).

Building construction projects launched in Q4 2022 included the CATL battery factory, the BMW plant, and the EcoPro BM electric battery cathode manufacturing plant in Debrecen. Construction also began on the CTP warehouses in Szigetszentmiklós, the University of Veterinary Medicine and

the Siemens Energy M2B gas and steam turbine parts manufacturing plant in Budapest, as well as the logistics hall of HelloParks in Fót.

Further drop in civil engineering Activity-Start in Q4 2022

Activity-Start in civil engineering fell further in the last quarter of 2022 with the value of construction starts not even close to HUF 150 billion. Compared to previous years, it is low even at current prices, but at constant prices, the decrease is even more striking: the segment has not seen such a feeble quarter since 2016. The decline affected both road and railway construction, as well as other civil engineering works.

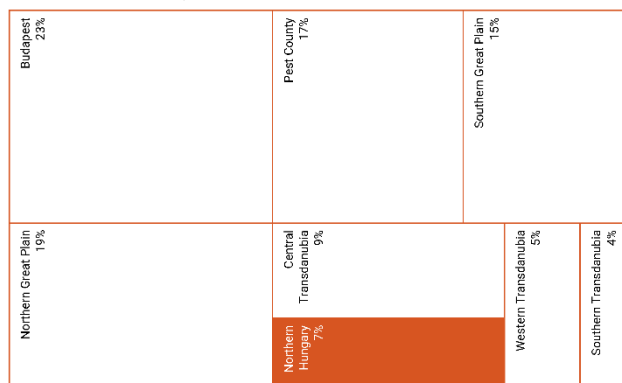
Yet, the exceptionally high Q1 2022 figures pushed up whole-year ones. Thus, the other weak quarters are not visible in a yearly comparison. At current prices, civil engineering registered the highest Activity-Start in 2022, and even at constant prices, 2022 was a strong year. Compared to 2021, there was an increase of more than 65% at current prices, and nearly 40% at constant ones. The start of two big-volume projects at the beginning of the year brought the spiking Activity-Start indicator in civil engineering: the Budapest-Belgrade railway stretch between Kelebia and Soroksár and the Kecskemét-Szentkirály section of M44.

The biggest civil engineering projects started in Q4 2022 comprised several water pipeline and sewer related ones, such as the DV-Dráva watershed in Zala and Baranya counties, the Eastern watermain's drinking water treatment plant, the Balmazújváros-Hajdúnánás-Hajdúböszörmény transmission line and the Balmazújváros-Debrecen 1st waterworks transmission line. Only one road project made it to the list of biggest projects in Q4 2022, the Soltvadkert bypass section of highway 53.

Regional Activity-Start

Last year Budapest continued to record the largest value of started construction projects, although with a somewhat decreased share against 2021. Northern Great Plain had the second largest share, closely followed by Pest County and the Southern Great Plain. Lowest-value projects were launched in Southern and Western Transdanubia.

Activity-Start, total value of started construction works by regions
Based on the latest 4 quarterly data together



EBC Construction Activity Report Q4 2022

Multi-unit housing: Activity-Start showing slight improvement

Q4 2022 registered a slightly higher building activity in multi-unit housing than the two preceding quarters. And even though the total value of projects entering construction phase slightly rose between October and December compared to previous years, it was still not particularly high, and at constant prices, it is in fact rather low. In total, construction projects worth slightly more than HUF 90 billion saw construction start. The temporarily higher numbers were mostly due to the launch of certain phases of larger, multi-phase projects, and do not indicate recovery in the segment. Further, developers are facing falling demand in the market for new homes, and due to economic uncertainties and expensive financing, this may also stretch to the coming months.

2022 on the whole recorded a decline in Activity-Start of multi-unit housing construction compared to 2021 at current prices, and the value of the started construction works did not reach that of 2018 and 2017 either. At constant prices, the difference is even more stunning: in the period since 2016, only 2020 registered a lower number.

For the time being, developers have time to implement their projects based on previously obtained building permits, as well as to prepare new plans. After the extension of the reduced VAT, homes in projects having obtained a valid construction permit until the end of 2024 can be sold at 5% VAT until the end of 2028.

When it comes to completions, fewer multi-unit homes were completed in Q4 2022 than expected, indicating great delays in projects owing to supply chain disruptions. Since the value of completed multi-unit homes in Q4 somewhat fell short of Q3,

2022 as a whole posted a lower Activity-Completion indicator than 2021; multi-unit homes worth slightly more than HUF 280 billion were completed in Hungary.

Disparity between Budapest and the rest of the country continued to grow in 2022. 66% of multi-unit construction works started in Budapest, while the corresponding number a year earlier was 59%. Only 9% of projects started in Western Hungary and the Northern Great Plain, which came second and third, respectively in 2022. Northern Hungary saw the lowest multi-unit housing project starts last year.

Sources:

EBI Construction Activity Report Q4 2022 (by János Gáspár, Buildecon)

Press Release on EBI Construction Activity Report Q4 2022 (by Tünde Tancsics, Eltinga)



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