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### CONSTRUCTION SECTOR OVERVIEW. WHAT'S DRIVING THE SHIFTS.

The Construction sector in the First Semester of 2024, specifically the housing construction, has experienced a significant decline compared to the same period in 2023. The total number of housing units completed in the first half of 2024 was 25,936, a sharp decrease of 6,141 units from the 32,077 units completed in the first semester of 2023. In the urban areas, there was a significant drop in completed housing units, from 20,158 units in the first semester of 2023 to 14,552 units in 2024, representing a decrease of 5,606 units (around 28%).

In terms of Funding Sources, the housing construction financed by private funds dropped substantially by 6,386 units, from 31,423 in 2023 to 25,037 in 2024. Interestingly, the public funding for housing construction increased, with an addition of 245 units, from 654 units in 2023 to 899 units in 2024.

If we look at a regional breakdown, most regions experienced a decline in completed housing units where Bucharest-Ilfov region, which is typically a major contributor, saw the largest decline of 2,193 units, from 9,443 in 2023 to 7,250 in 2024. The North-West region showed the smallest decline of only 51 units.

In what regards the Construction Sector in July 2024, compared to June 2024, the overall volume of construction work increased slightly by 0.1% in gross series and by 0.9% in adjusted series (considering working days and seasonality). By type of work, major repairs increased significantly by 17.7% in gross series and 16.1% in adjusted series. This shows a strong focus on substantial renovation and repair projects during the month. New constructions decreased by 2.3% in gross series and 3.8% in adjusted series. This indicates a slowdown in initiating new construction projects in July as well. Maintenance and current repairs declined by 2.0% in gross series but increased slightly by 2.5% in adjusted series, reflecting a stable demand for ongoing maintenance.

By construction type, engineering works increased by 0.1% in both gross and adjusted series, indicating a consistent level of activity in infrastructure or civil engineering projects. Residential buildings showed a slight increase of 0.1% in gross series while non-residential buildings decreased by 0.1% in gross series and by 1.9% in adjusted series, showing reduced activity in commercial or industrial building projects.

**Near-Term Outlook:** The sharp declines in residential building activity are concerning, particularly as they are reflected both in month-over-month and year-over-year comparisons. However, the strong growth in major repairs and infrastructure projects provides some balance.

#### Residential Building Permits: August 2024 vs. July 2024

In August 2024, a total of 3,360 residential building permits were issued, representing a 3.6% decrease compared to the 3,487 permits issued in July 2024. This decline in permits, however, contrasts with the increase in the total usable surface area, which rose by 3.1%, from 783,545 square meters in July to 808,191 square meters in August. This suggests that, while fewer residential building projects were initiated, those that were started tended to be larger or more complex.

The distribution of permits between urban and rural areas reflects this dynamic. In urban areas, the number of permits decreased from 1,132 in July to 999 in August. However, the usable surface area in urban regions saw a significant increase, rising from 393,259 square meters to 431,571 square meters. This indicates that, although fewer urban projects were approved, the scale of these projects grew. Meanwhile, rural areas saw a slight increase in the number of permits, from 2,355 in July to 2,361 in August, though the surface area decreased slightly from 390,286 square meters to 376,620 square meters.

#### Non-Residential Building Permits: August 2024 vs. July 2024

In the non-residential segment, the number of permits also fell, with 525 permits issued in August, a 4.7% decrease from the 548 permits issued in July. More significantly, the total usable surface area for non-residential buildings plummeted by 34.1%, from 270,230 square meters in July to 176,714 square meters in August. This sharp decline in surface area points to a slowdown in large-scale commercial or industrial construction projects.

#### Key Takeaways. Looking ahead.

- **Residential Sector:** The issuance of building permits and growth in surface area suggests that residential construction will remain relatively stable, particularly in regions experiencing population growth or economic expansion. However, the slower rate of completions indicates that developers may be more cautious, possibly due to higher costs or economic uncertainty. Forecast: Expect moderate growth in residential construction, with a shift toward larger or more complex housing projects.
- **Non-Residential Sector:** The declines in permits and surface area suggest a challenging outlook for commercial and industrial construction. The downturn is likely linked to broader economic factors such as financing costs, reduced business investment, or global supply chain disruptions. Forecast: The non-residential sector may continue to struggle, with potential recovery dependent on broader economic improvements.
- **Infrastructure and Repairs:** The construction of engineering works and major repairs has remained strong, indicating that public investment in infrastructure is likely to drive growth in this segment. Forecast: Continued government infrastructure spending could help offset the declines in private-sector construction.



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Engineering projects show consistency. Residential permits rise. Slight uptick in construction activities. Regional disparities. Public funding increases.