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CONSTRUCTION SECTOR DEVELOPMENTS Q1 2025: EU AND ROMANIA

EU Construction Sector Overview

In March 2025, the European Union’s construction sector exhibited marginal growth, with seasonally adjusted production increasing by 0.1% compared to February. This came after a 1.1% drop in February, suggesting the sector might be finding a fragile balance within the economic uncertainties. When compared to the same month in the previous year, production in construction fell by 0.7% across the EU and by 1.1% in the euro area, signaling persistent challenges in maintaining momentum.

The modest monthly increase in March was primarily driven by a 0.8% rise in building construction, while civil engineering activities saw an increase of 2.5%. Specialized construction activities remained stable with a marginal increase of 0.1%. Among Member States, Austria recorded the highest monthly increase at +5.9%, followed by Romania (+4.6%), and Czechia (+3.5%). Conversely, Portugal experienced the most significant decline at -4.3%, with Slovenia and Poland also reporting decreases of -4.0% and -3.7%, respectively.

Annual comparisons revealed a general contraction: building construction declined by 1.6% in the EU, civil engineering recorded a marginal increase of 0.8%, while specialized construction activities increased by 1.0%. Still, some countries showed resilience. Czechia (+12.0%), Bulgaria (+8.8%), and Austria (+7.4%) stood out for their annual growth, while Slovenia (-11.6%), Belgium (-6.6%), and Spain (-6.0%) all registered significant declines.

Romania’s Construction Sector: Detailed Analysis

Romania’s construction sector showed growth in March 2025, outperforming many EU counterparts. It increased by 4.6% month/month and 3.1% year/year. In Q1 2025, it increased by 13.8% compared with the same period last year.

Monthly Comparison

Compared to February 2025, the volume of construction works in Romania increased by 42.9% in gross series and by 4.6% in seasonally adjusted terms. This substantial growth was driven by significant increases across various construction activities: capital repairs surged by 65.3% (gross) and 14.7% (adjusted), new construction works rose by 41.3% (gross) and 5.3% (adjusted), and maintenance and current repairs grew by 33.3% (gross) while remaining stable in adjusted terms.

In terms of construction objects, engineering works increased by 64.6% (gross) and 9.4% (adjusted), non-residential buildings rose by 24.1% (gross) but decreased by 5.7% (adjusted), and residential buildings grew by 20.4% (gross) and 0.3% (adjusted).

Annual Comparison

Compared to March 2024, the volume of construction works in March 2025 increased by 6.4% in gross series and by 3.1% in seasonally adjusted terms. Capital repairs experienced a remarkable increase of 71.0% (gross) and 65.2% (adjusted), while new construction works rose by 2.6% (gross) and 0.6% (adjusted). However, maintenance and current repairs declined by 10.5% (gross) and 12.6% (adjusted).

Regarding construction objects, engineering works rose by 14.4% (gross) and 11.3% (adjusted), non-residential buildings increased by 5.0% (gross) and 3.7% (adjusted), while residential buildings declined by 11.5% (gross) and 13.3% (adjusted).

Quarterly Comparison (Q1 2025 vs. Q1 2024)

In the first quarter of 2025, the volume of construction works in Romania increased by 12.2% in gross series and by 13.8% in seasonally adjusted terms compared to the same period in 2024. Capital repairs grew by 60.1% (gross) and 54.4% (adjusted), new construction works rose by 10.0% (gross) and 14.2% (adjusted), while maintenance and current repairs decreased by 4.0% (gross) and 7.1% (adjusted). In terms of construction objects, engineering works increased by 18.9% (gross) and 21.3% (adjusted), residential buildings rose by 11.1% (gross) and 8.5% (adjusted), and non-residential buildings grew by 2.0% (gross) and 0.9% (adjusted).



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**EU** construction sector showed minimal recovery. Romania outperformed EU’s average. Sector remains vulnerable to inflation, high material costs and geopolitical uncertainties.



**Building Permits: A Forward-Looking Indicator**

The trend in construction permits—an important leading indicator—provides further insights into Romania’s construction outlook. In March 2025, Romania issued 3,095 residential building permits, marking an 18.3% increase from February and a 1.9% rise compared to March 2024. This rise in permits was accompanied by an 18.4% increase in total usable surface area, suggesting a robust pipeline for future residential projects.

At regional level, the South-Muntenia and North-East regions led the monthly growth, indicating expanding construction activities beyond urban centers. Interestingly, 69.4% of these permits were for rural areas, reinforcing a decentralization trend in residential construction. However, the non-residential segment showed mixed data. While the number of permits rose slightly by 7.1% since February, the usable floor area fell sharply by 13.3% and was down 25.3% from March 2024. This suggests caution or a slowdown in larger commercial or industrial developments, likely due to economic or financing uncertainties.

**Key Takeaways and Outlook**

The EU construction sector in March 2025 showed early signs of stabilization with minimal monthly growth, although annual trends remained reduced. In contrast, Romania’s construction sector demonstrated good results, with strong performance in capital repairs and engineering projects.

Nonetheless, the contraction in residential construction and maintenance, along with a slowdown in non-residential permitting, signals an unbalanced recovery. While certain segments are performing, others may face constraints related to financing, labor availability, or demand saturation.

**EU Perspective**

The EU construction sector is likely to see slow and uneven growth in the near term. Public investment in infrastructure, particularly through EU-funded programs, may offer support. However, high construction material costs, inflationary pressures, and geopolitical tensions could reduce momentum.

**Romanian Perspective**

Romania’s construction sector appears well-positioned for continued growth. The recent surge in capital repairs and engineering works suggests strong institutional and infrastructure investments. Additionally, the sharp rise in residential building permits in March 2025 shows a good medium-term outlook, particularly in rural and suburban regions. However, the observed decline in non-residential permit surface areas may signal a cooling in commercial developments.

**Assumptions and Risks**

The optimistic outlook for Romania is based on continued public and private sector investment, stable macroeconomic conditions, and effective absorption of EU funds. Risks include labor shortages, inflationary cost increases, and potential interest rate increases that could reduce real estate financing or demand. On the upside, positive demographic shifts or fiscal incentives could further push residential construction.