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Economic forces shaping the
construction ecosystem



KEY TAKEAWAYS



Market momentum
continues to strengthen



Sustainability investments
drive long-term growth



Positive outlook across
all regions



Circular economy
& efficiency



Energy transition
& electrification



Digitalization
& connectivity



Infrastructure
development

#WEMAKE2BUILD

Context of the EU building-related policy

Principles

Competitiveness of the construction sector

Affordability for EU citizens and families

Maximum re-use and recycling

Whole life-cycle carbon approaches

Quality and safety (buildings and works)

Initiatives

Affordable Housing – Construction Strategy

New Multi-annual Financial Framework 2028-2034

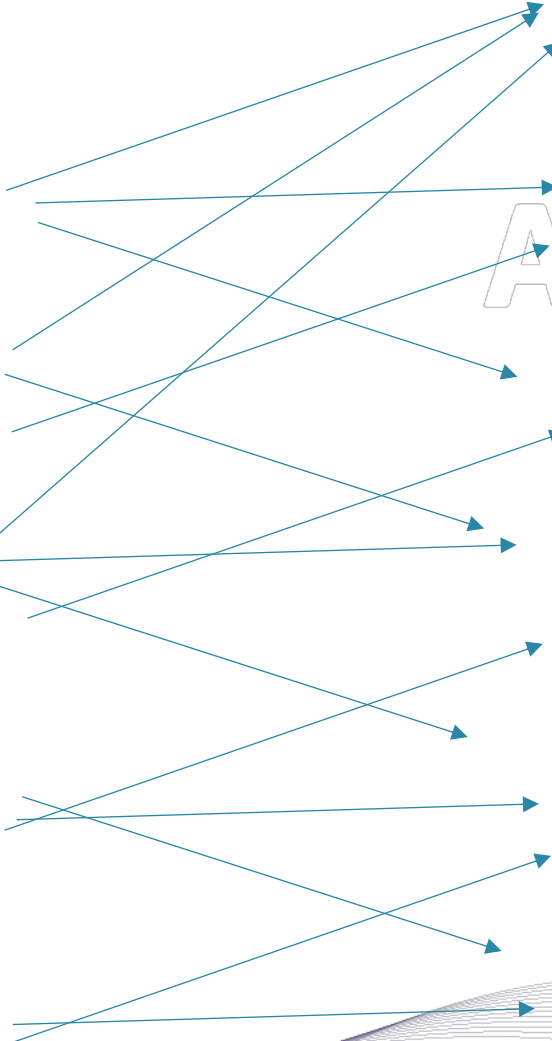
Circular Economy Act (2026 Q3)

Revision of public procurement directive

EU taxonomy of sustainable finance

New European Bauhaus

Energy Performance of Buildings Directive

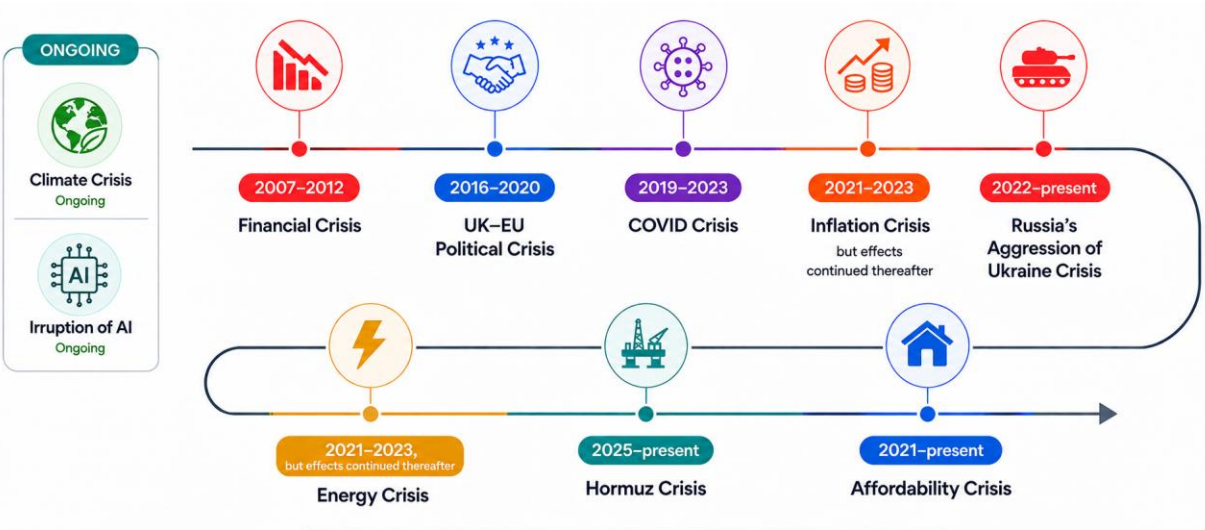


The trends transforming every sector



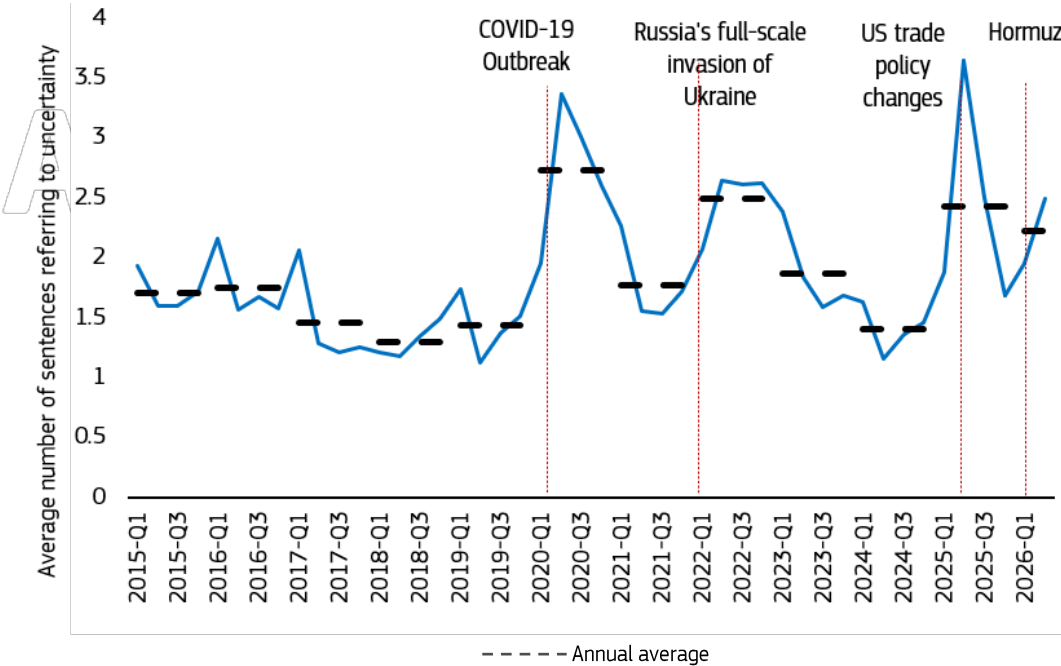
Economic uncertainty due to multiple crisis

Timeline of disruptive events (20 years)



Note that some of these crises might be interrelated

Earnings Calls Uncertainty (ECU) Index, based on EU firms

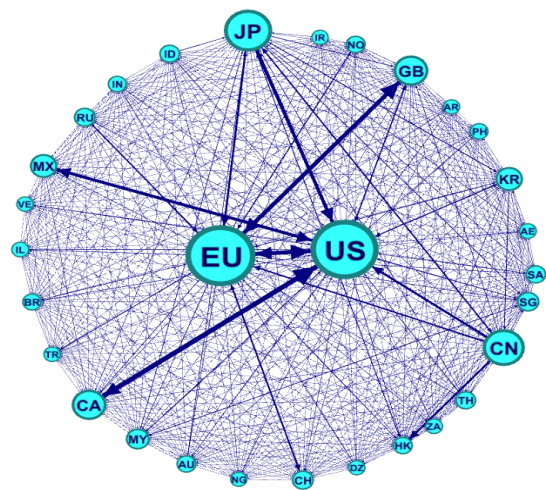


Source: GROW CET based on NL Analytics. Note: For each source of uncertainty, the indicator captures the average number of sentences per earnings call that match the query (uncertain* OR volatility OR instability) AND a source-specific keyword: supply chain*, energy, or geopolitic*. To ensure comparability across sources and over time, each series is standardised using its own historical mean (long-run average = 100).

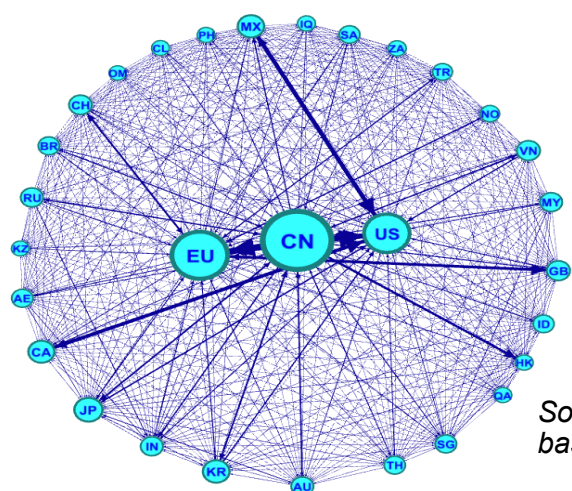


Changes in trade patterns

World trading network, 2000
(top 30 exporters)

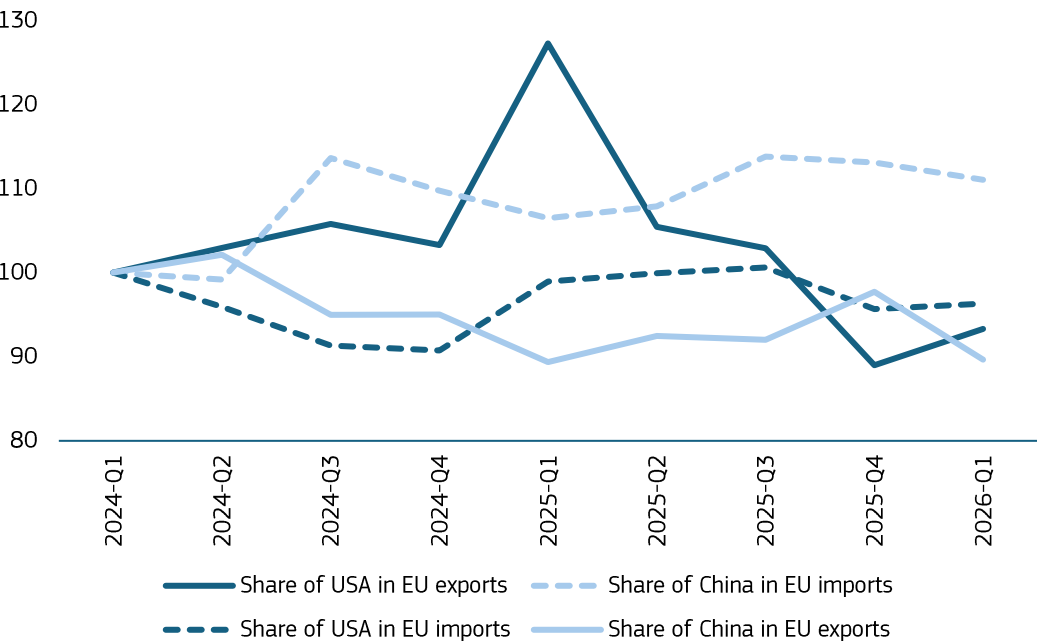


World trading network, 2023
(top 30 exporters)



Source: DG GROW
based on BACI-CEPII

Evolution of the share of US and China in UE trade in goods
(2024-Q1=100)

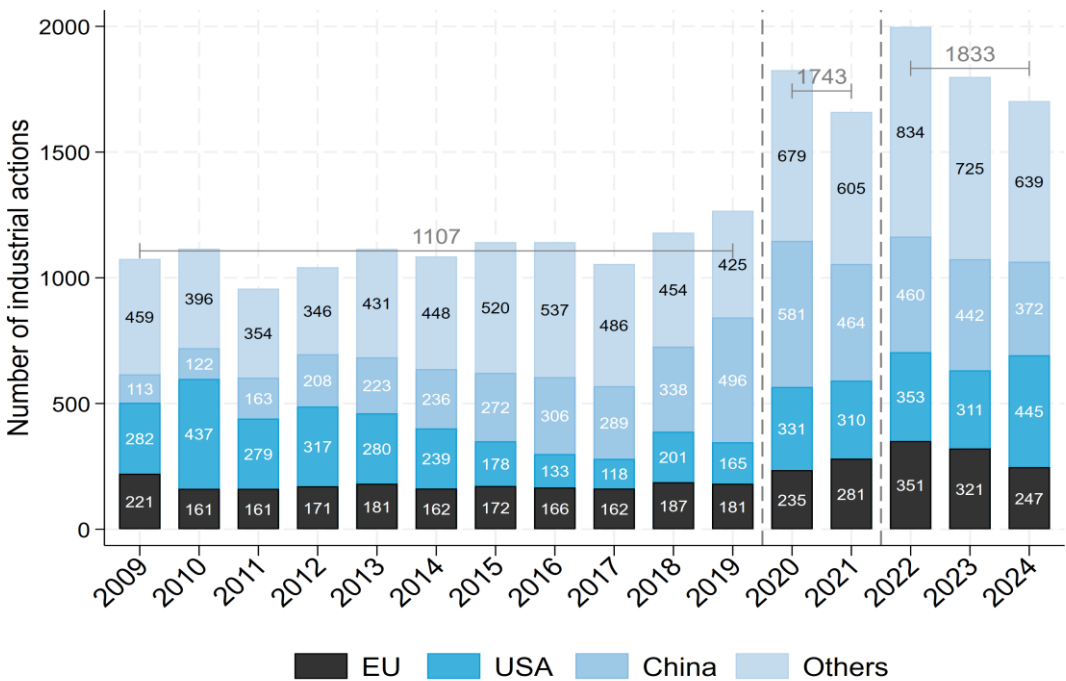


Source: DG GROW based on Comext

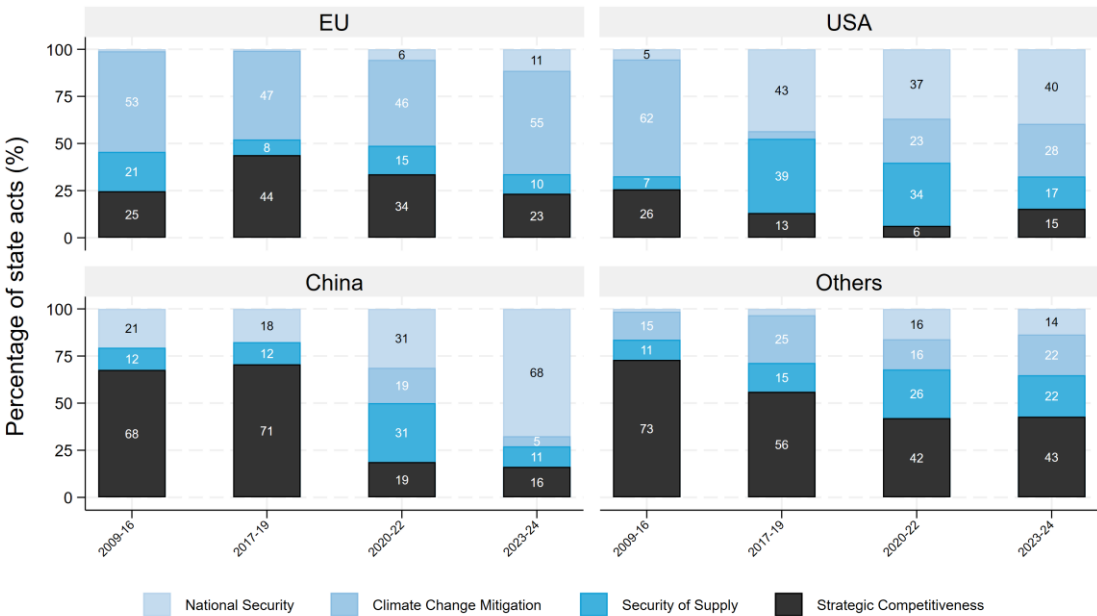


Global Rise in Industrial Policy and Political Motive

Global number of industrial actions



Distribution by political motive

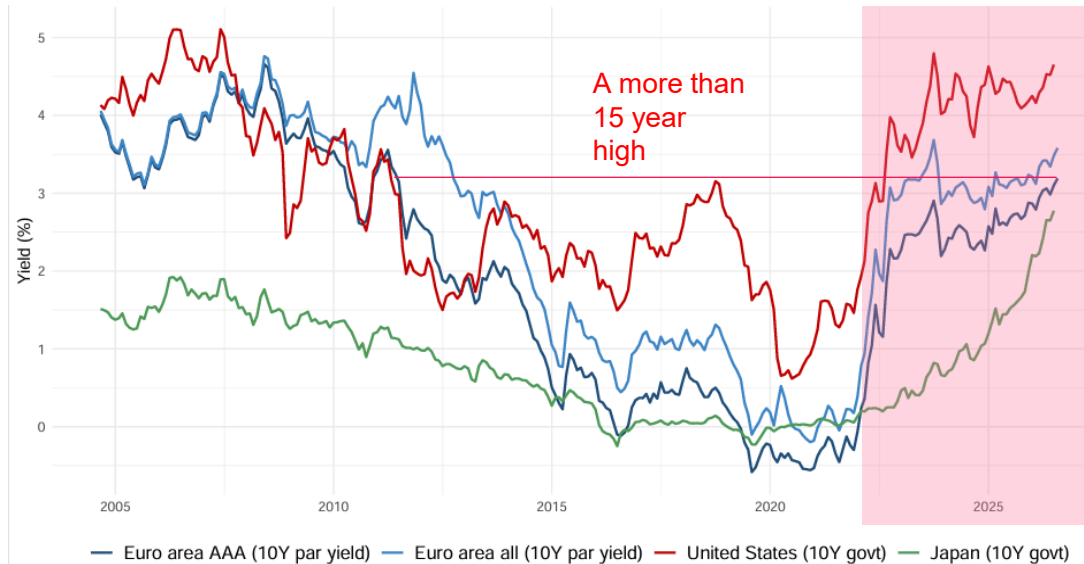


Source: GROW A1 calculations based on the Global Trade Alert Database. Note that EU member states are treated as a single jurisdiction to prevent counting supra-national duplicates.

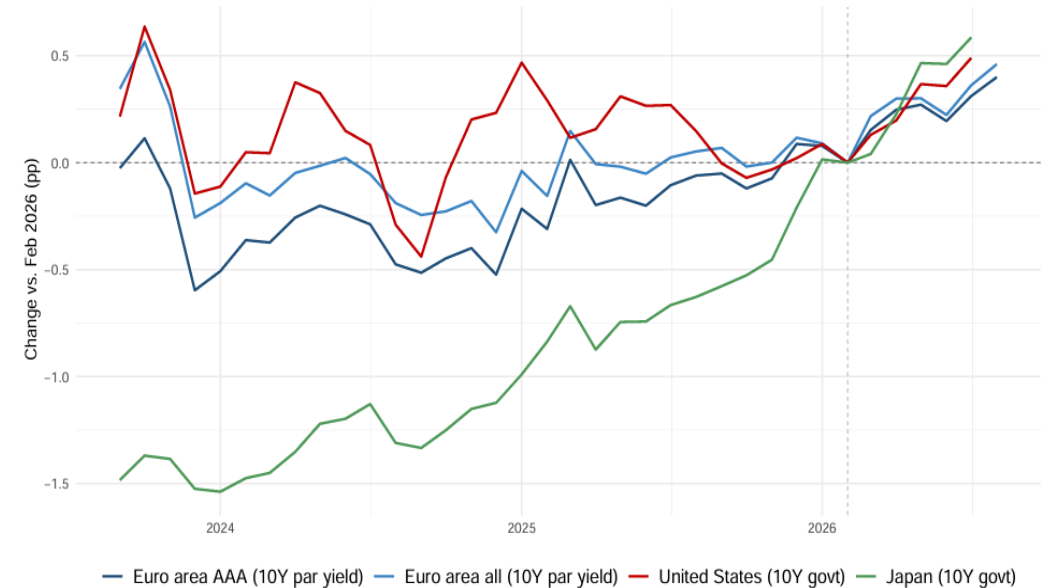


Increasing financing costs

10-year government bond yields (Euro area vs US and Japan)



Change in 10-year bond yields relative to February 2026



Source: GROW calculations based on Eurostat (irt_euryld_m, irt_lt_gby10_m)

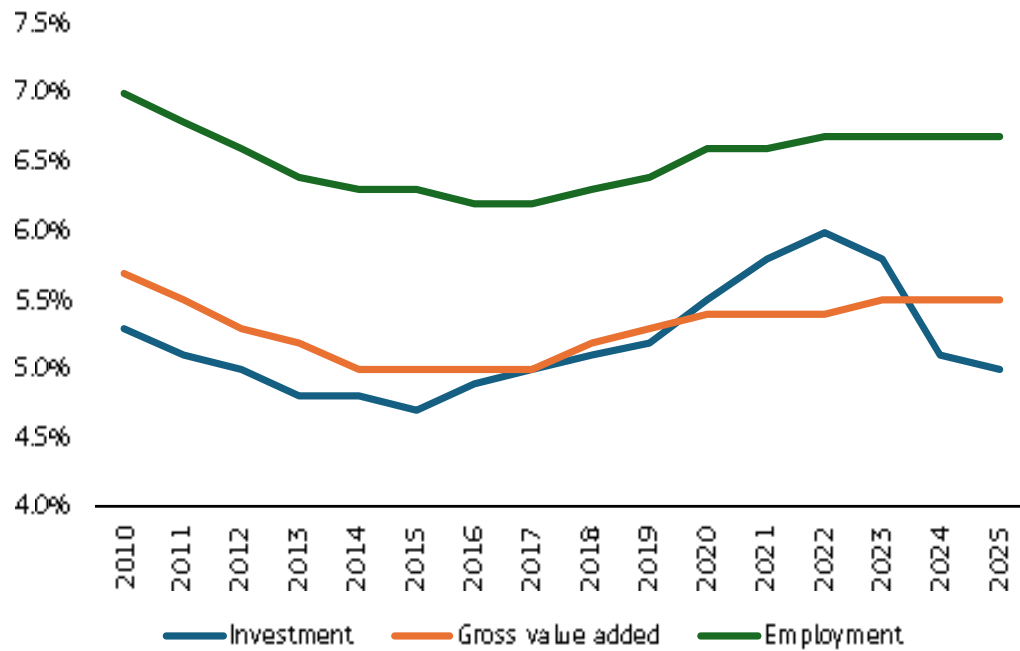
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The construction sector today

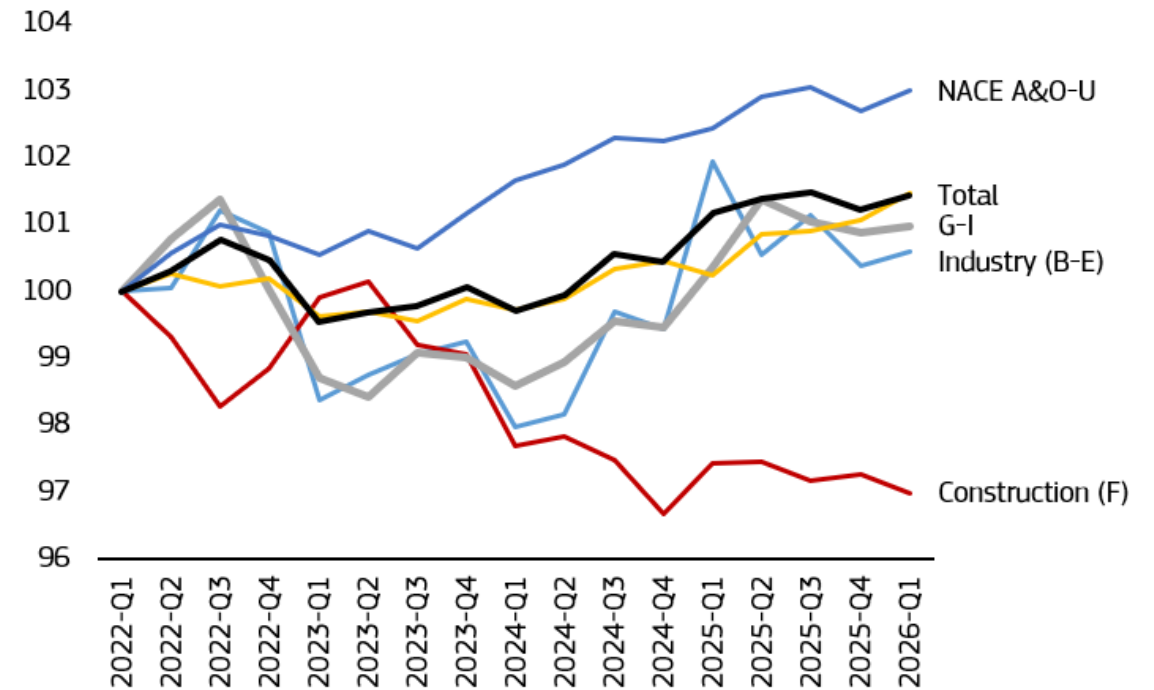


State of the construction sector

Investment (% of EU GDP), gross value added (% of EU total), and employment (% of EU total) in the EU construction sector



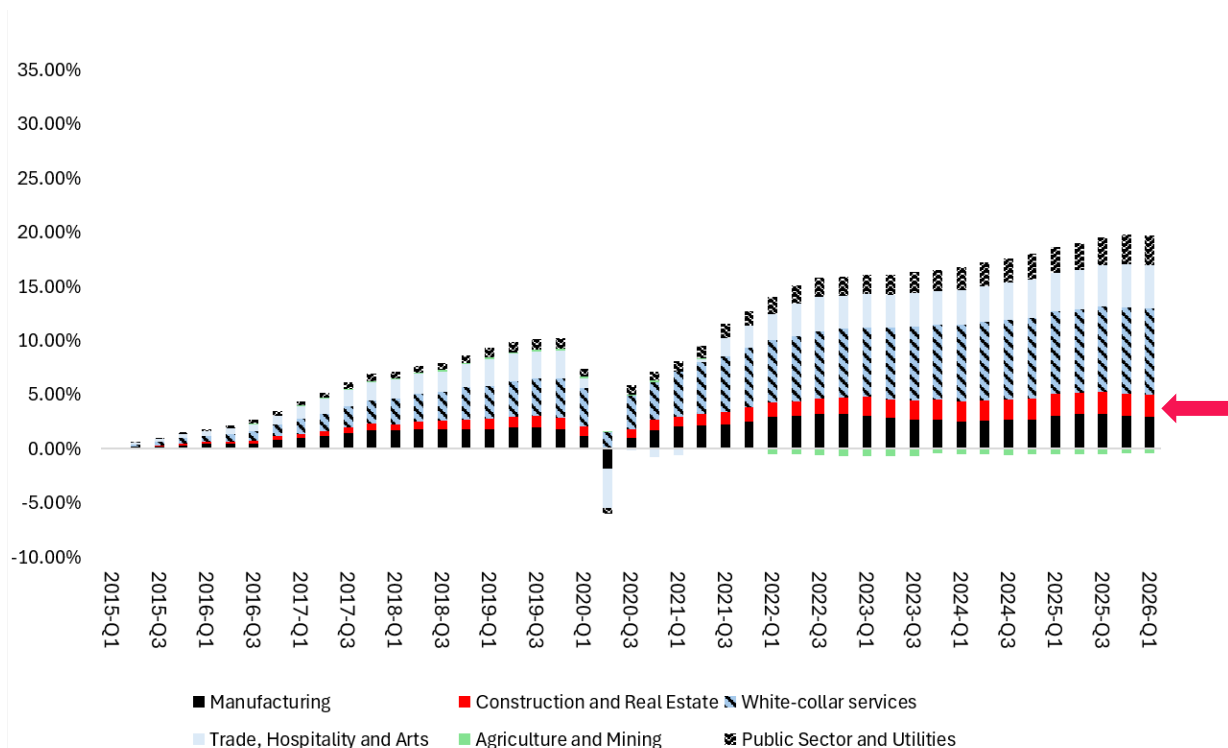
Labour productivity (2022-Q1 = 100) by sector



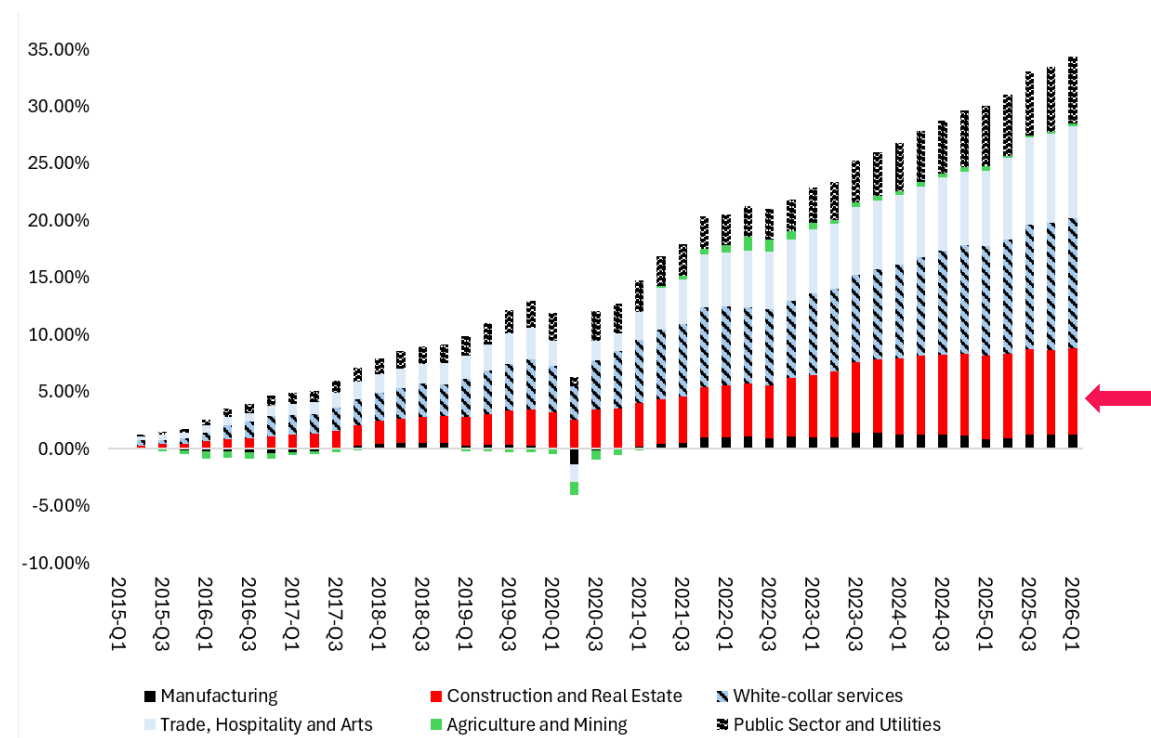
Source: DG GROW Chief Economist Team based on Eurostat

Construction's Role in EU-US GDP Growth Divergence

EU real cumulative growth by sector



US real cumulative growth by sector

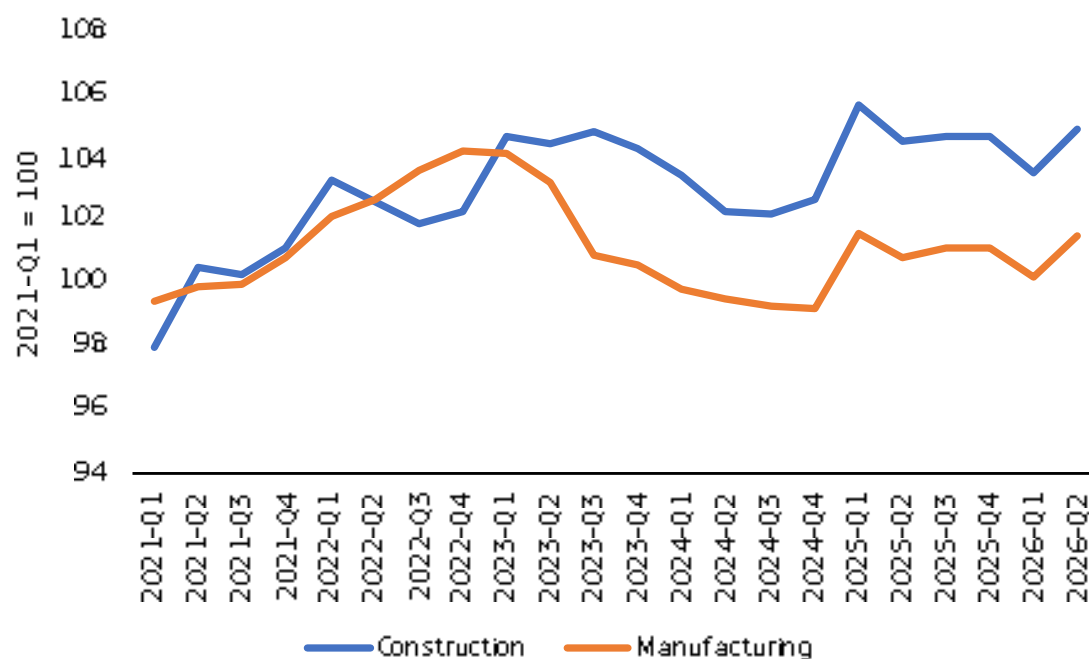


Source: DG GROW based on Eurostat and US Bureau of Economic Analysis (Quarterly Bulletin 2026-Q1)



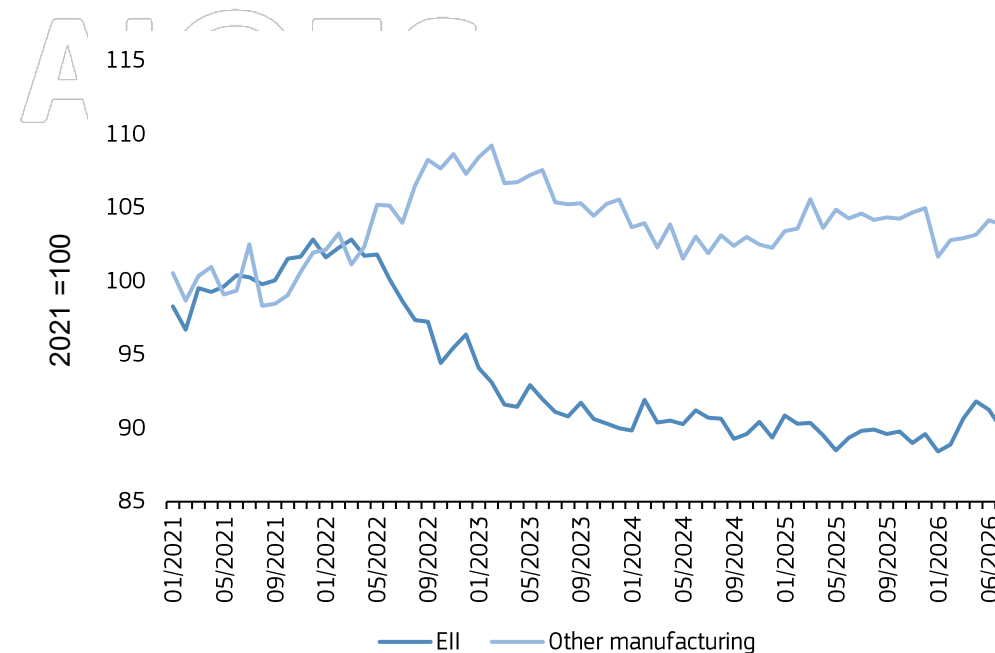
Production Evolution

Production volume in construction vs manufacturing



Source: DG GROW Chief Economist Team based on Eurostat

Production volume: energy-intensive industries vs other manufacturing

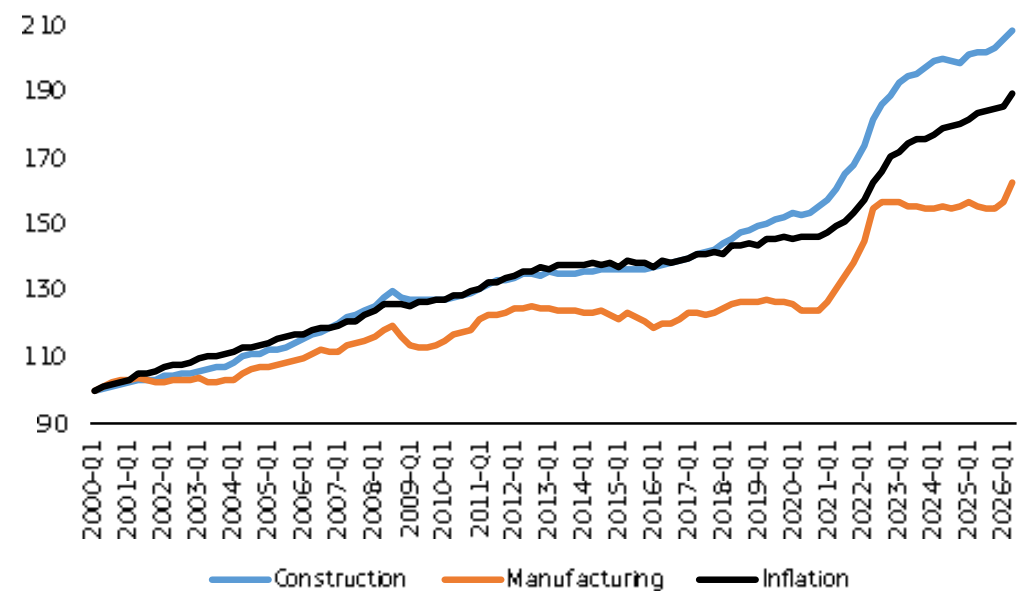


Source: DG GROW Chief Economist Team based on Eurostat



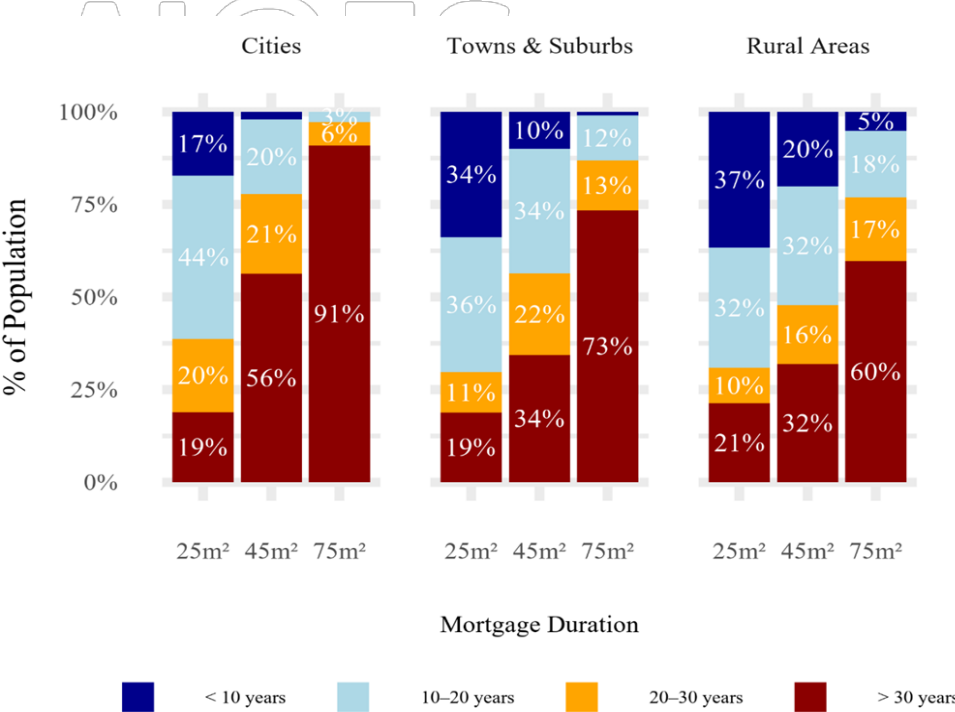
Production prices in construction

Production price inflation in construction and manufacturing vs total inflation



Source: DG GROW Chief Economist Team based on Eurostat

Number of years needed to pay off the mortgage using 1/3 of disposable income by size of apartment (2025)

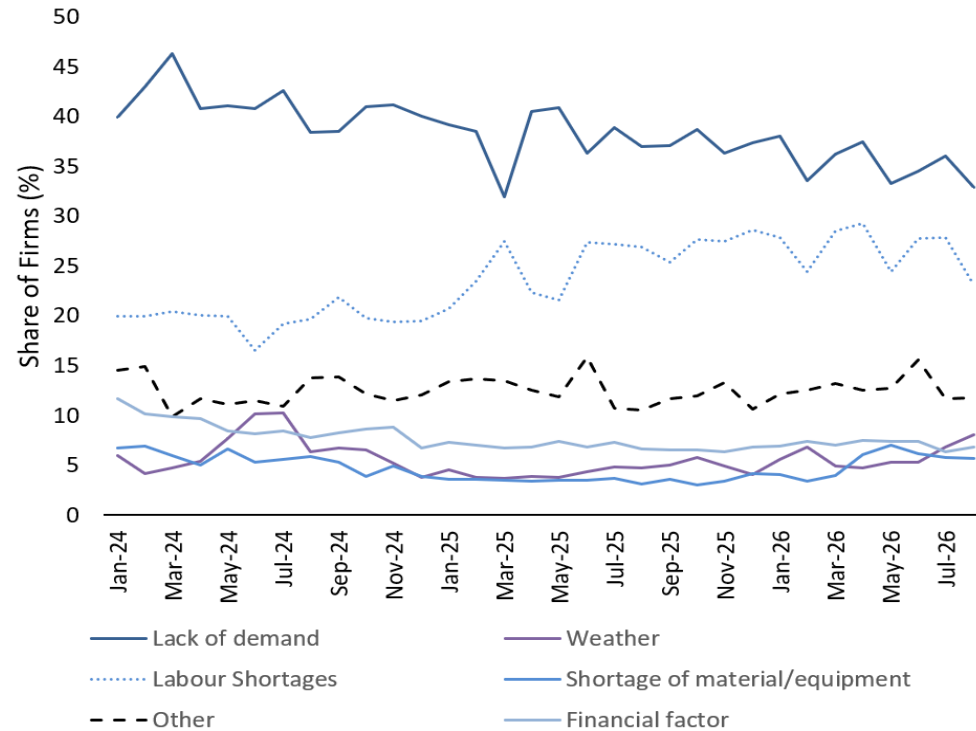


Source: Sielker and Banabak, 2025, based on ESPON HOUSE4ALL data. COM(2025). SWD Understanding the housing crisis

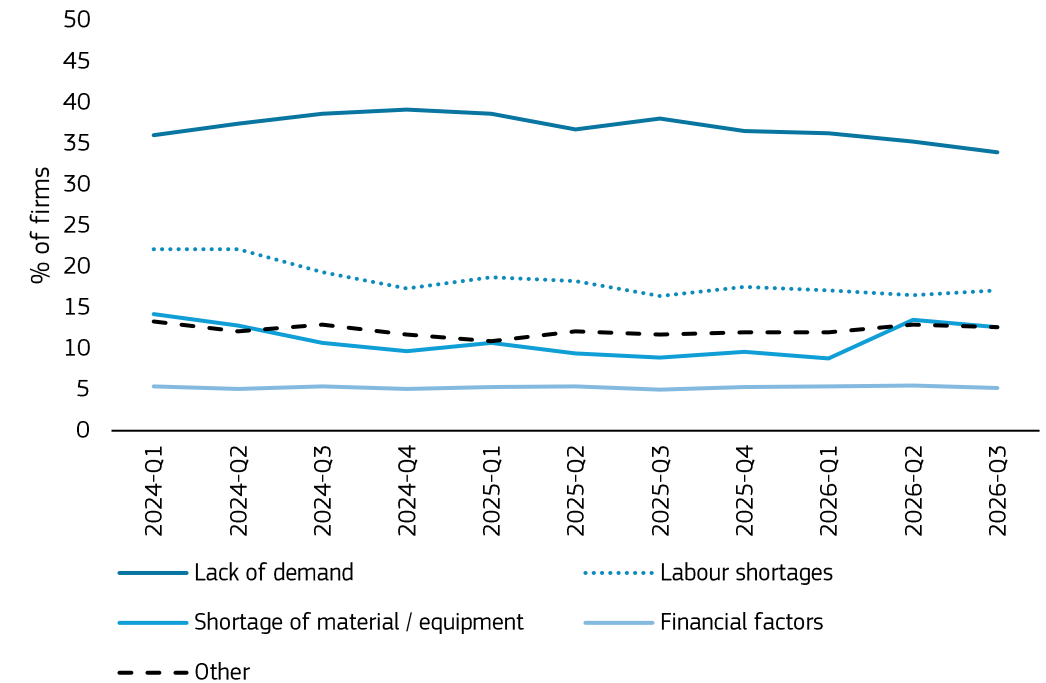


Factors limiting production

Factors limiting construction in the EU



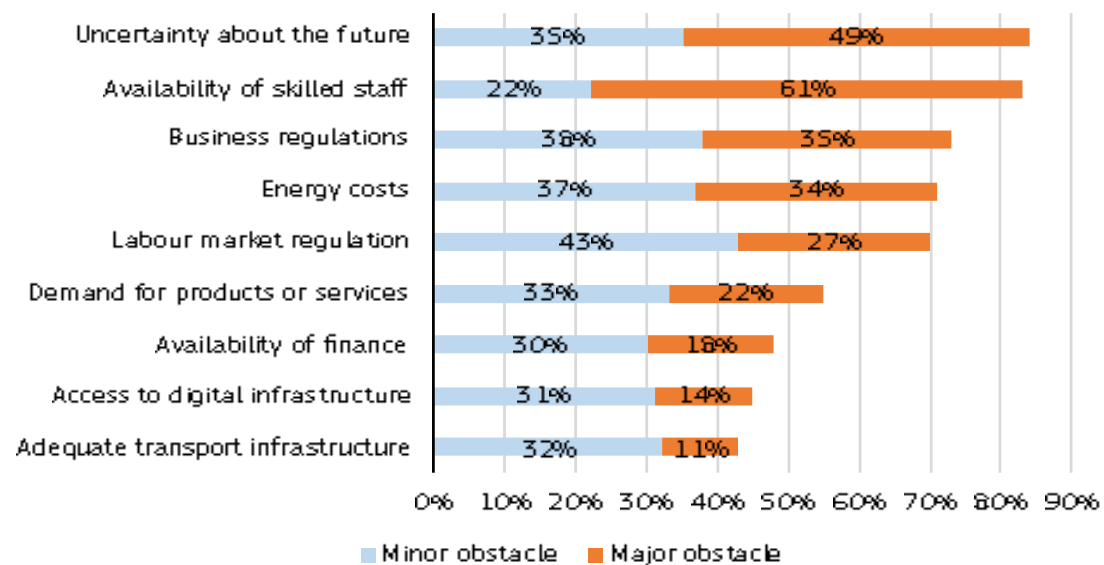
Factors limiting production in EU industry



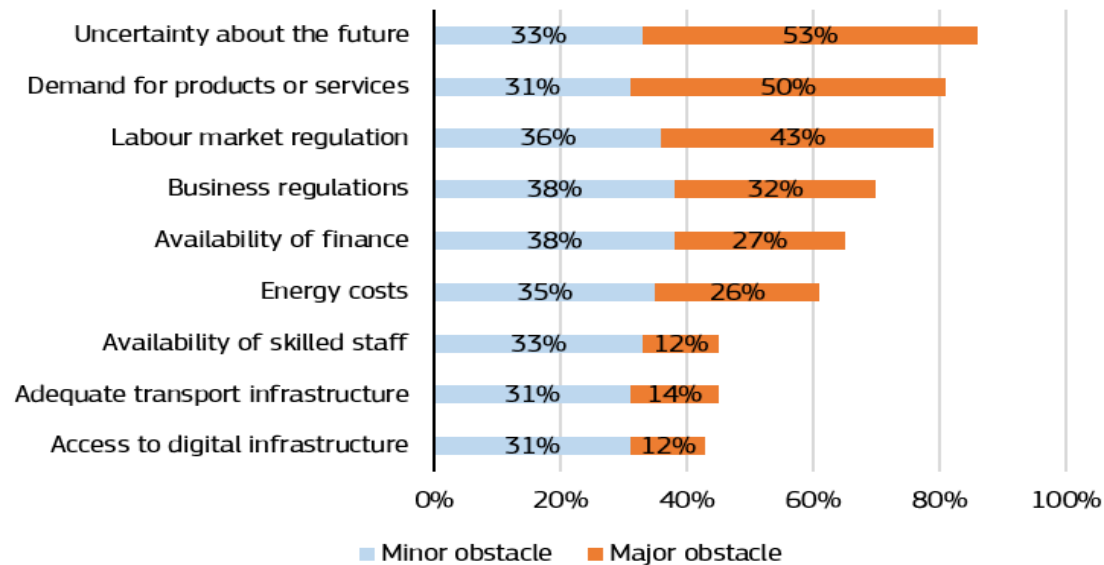
Source: DG GROW Chief Economist Team based on EU Business and Consumer Surveys. Manufacturing Question: "What main factors are currently limiting your production? ...- shortage of labour force ..."

Factors limiting investment

Long-term barriers to investment for construction firms (EIBIS survey 2025)



Long-term barriers to investment for manufacturing firms (EIBIS survey 2025)

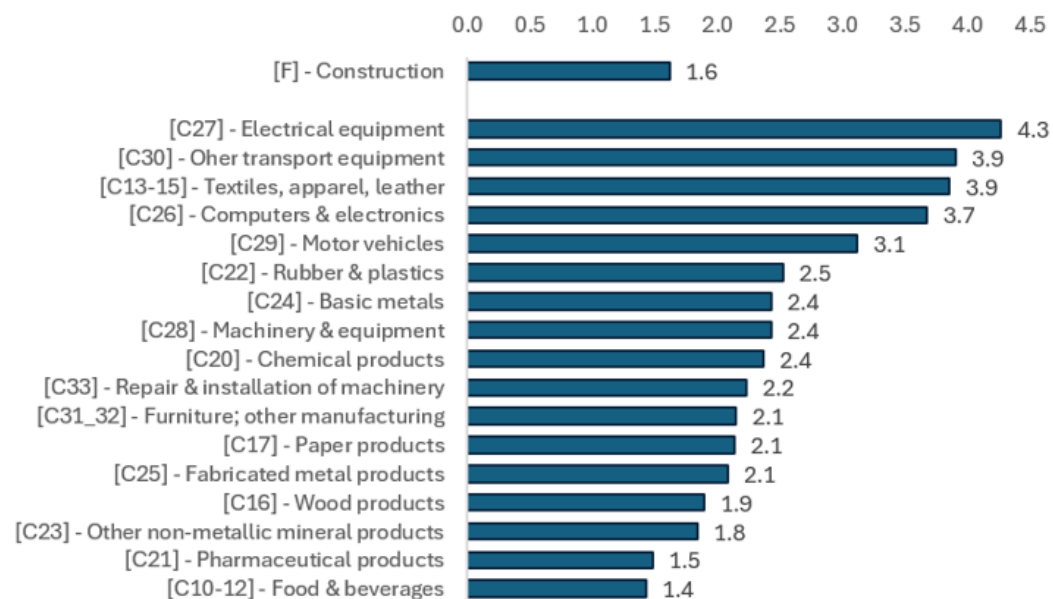


Sources: EIB Investment and Finance Survey, 2025

Reliance on Chinese inputs

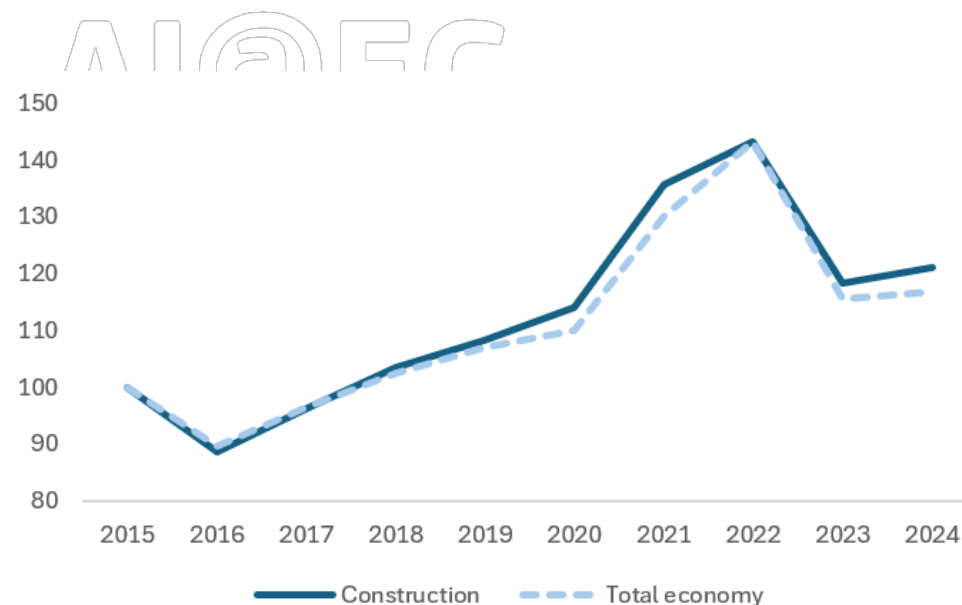
EU industries – total reliance on Chinese inputs, 2024

Share (%) of output (EUR) in EU construction and manufacturing industries that can ultimately be traced back to Chinese inputs



Evolution of the total reliance on Chinese inputs, 2024

Evolution on the share (%) of output (EUR) in EU construction and manufacturing industries that can ultimately be traced back to Chinese inputs

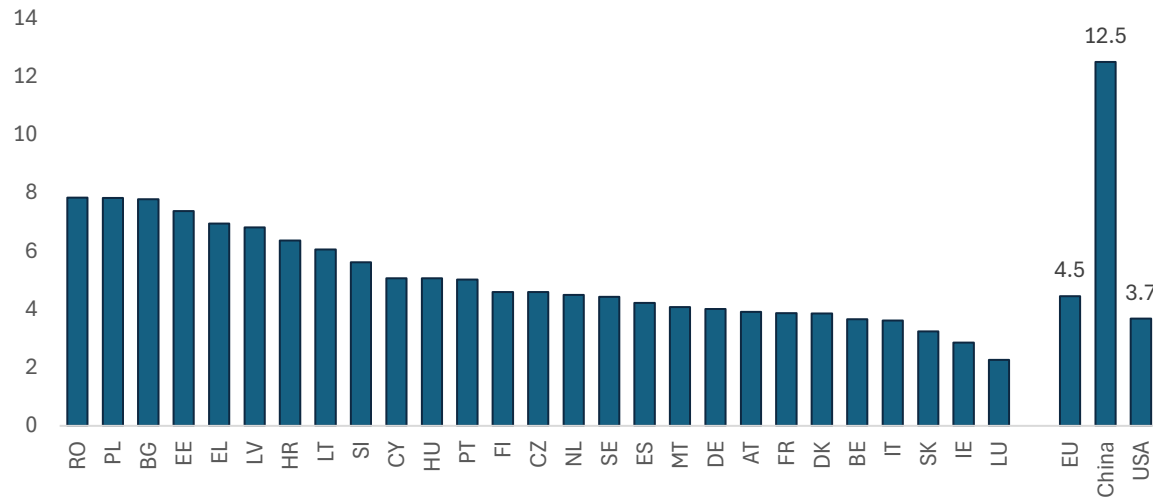


Source: DG GROW A1 based on FIGARO input-output tables

The role of energy in construction

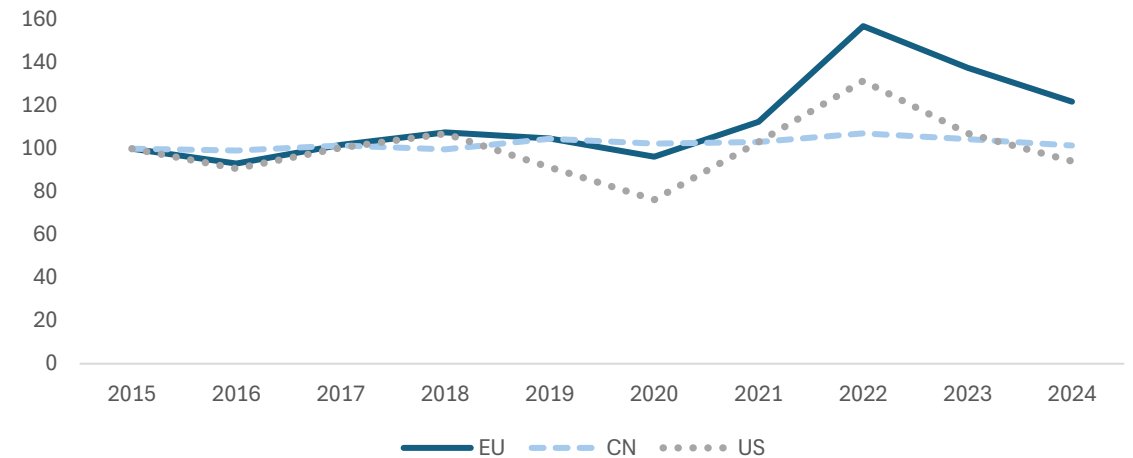
Construction sector – total reliance on energy, 2024

Share (%) of output (EUR) in construction that can ultimately be traced back to energy inputs



Construction sector – total reliance on energy, over time

Share of output (EUR) in construction that can ultimately be traced back to energy inputs – indexed at 100 in 2015

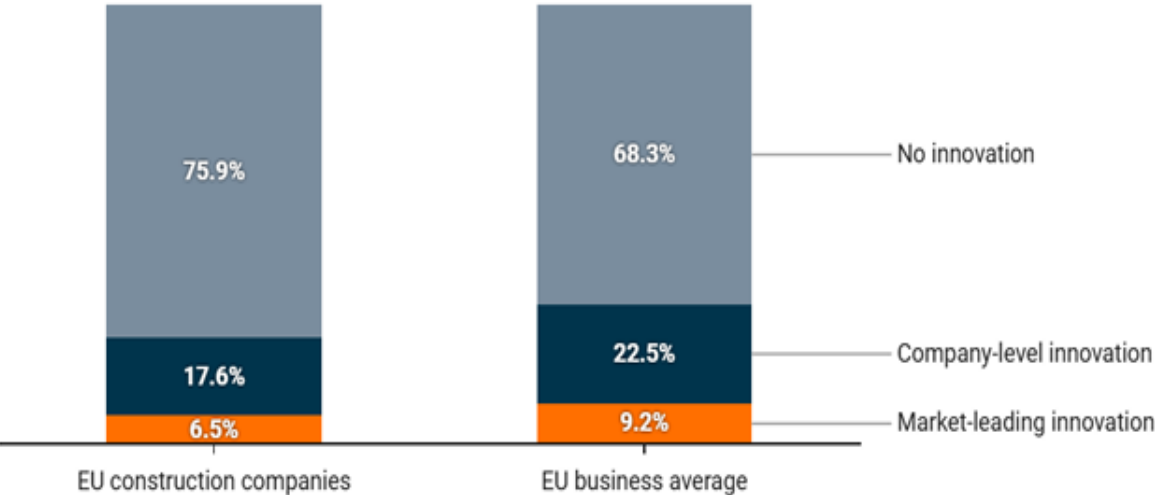


Sources: DG GROW A1 based on FIGARO input-output tables



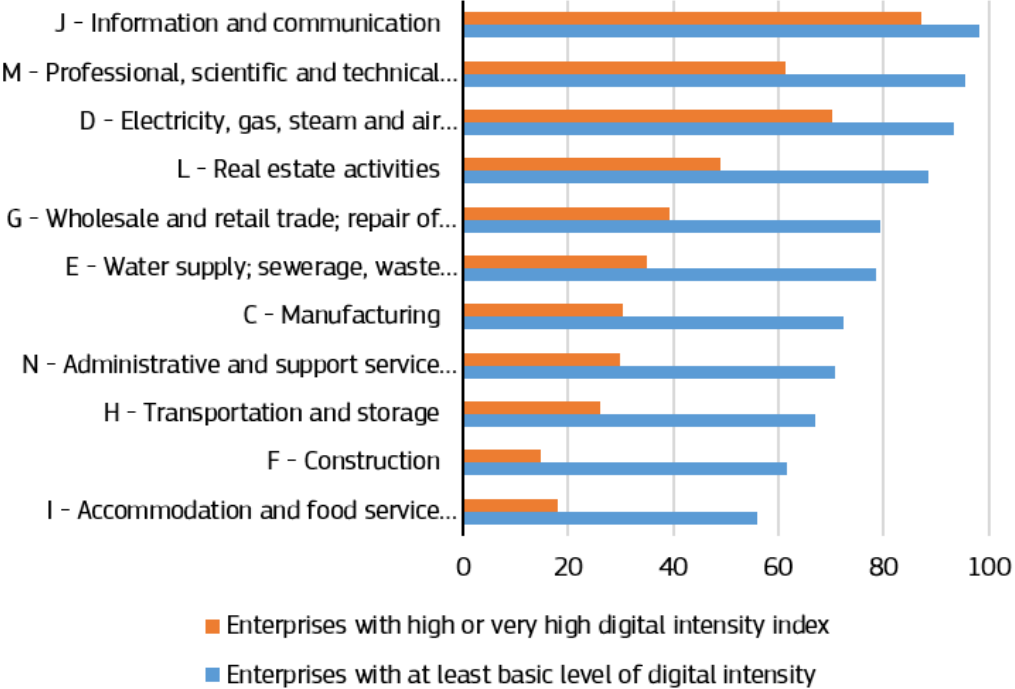
Innovation

Innovation gap in the EU construction sector, 2024



Sources: EIB Investment and Finance Survey, 2024

Share of firms by digital intensity (survey), 2024



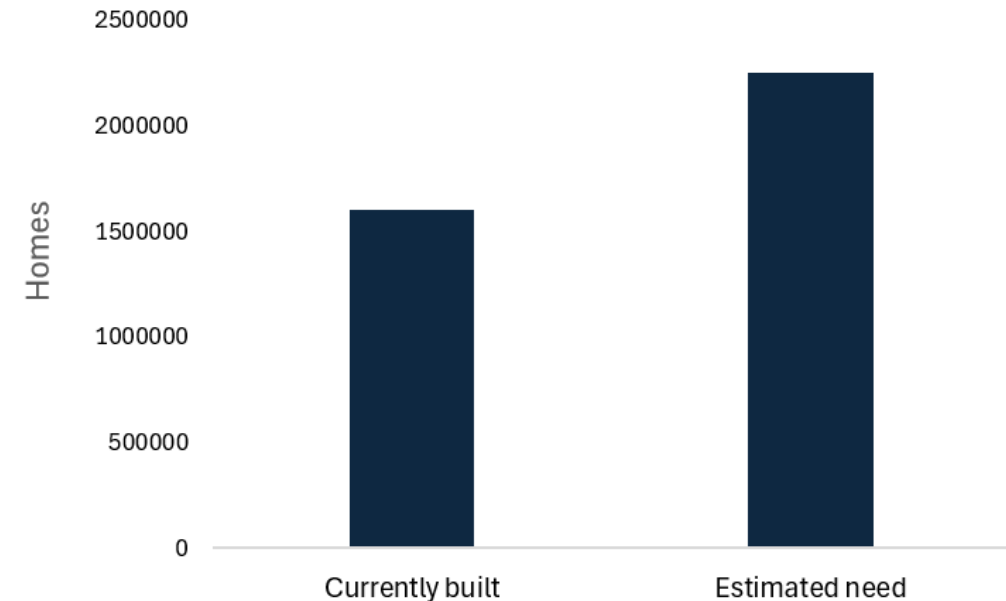
Sources: DG GROW A1 based on Eurostat



Potential growing demand creates new opportunities

- Supply is not keeping up with demand, leading to housing shortages.
- The EU needs around **650,000 additional homes per year**, on top of the current 1.6 million being built.
- This requires around €150 billion in annual investment.
- Key drivers behind the demand increase include:
 - Taxation and subsidies
 - Urbanisation and population ageing
 - More and changing household structures
 - Growth of short-term rentals

EU housing supply is falling behind demand



Source: *The European Affordable Housing Plan. European Commission. SWD(2025) 1053 final*



Conclusion

- **The construction sector is closely intertwined with the wider economy, relying on a broad range of goods and services as inputs.** As a result, broader economic developments can have a significant impact on construction activity, either by supporting or constraining demand, investment or affecting its input costs
- **A competitive construction sector is essential,** particularly in the context of ongoing housing affordability challenges
- **Value-added/production growth has remained resilient** despite rising global uncertainty, low productivity, labour shortages, high energy costs and the need for greater digitalisation
- **However, supply-chain vulnerabilities remain a key concern given the geopolitical landscape,** both directly within the sector and indirectly through its wider network of suppliers

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