

Polish Construction Review

A prime source of market intelligence for construction professionals

www.constructionpoland.com

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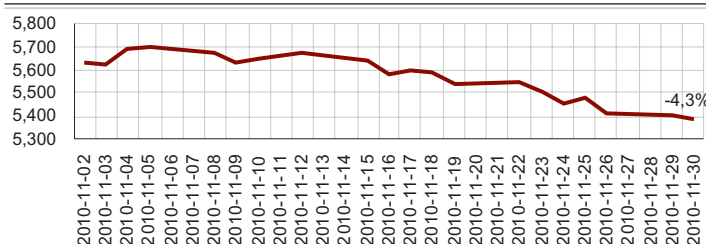
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Upcoming events

Upcoming events

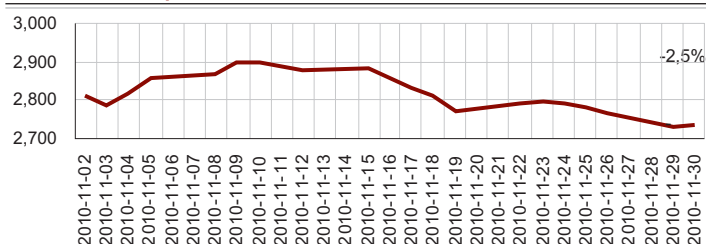
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WIG-Construction Index, November 2010



Source: Warsaw Stock Exchange, 2010

WIG-Developers Index, November 2010



Source: Warsaw Stock Exchange, 2010

Winter downtime made good – construction back in the black at last

After a very strong September, construction output in October rose once more to bring construction output dynamic back onto a growth path after nine months.

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Industrial output

Oct 2010	Change	Jan-Oct 2010
PLN 85.4bn	8% ↑↑	9.6% PLN 776.9bn

Construction and assembly output

Oct 2010	Change	Jan-Oct 2010
PLN 8.9bn	9.4% ↑↓	0.2% PLN 62.8bn

1€=PLN

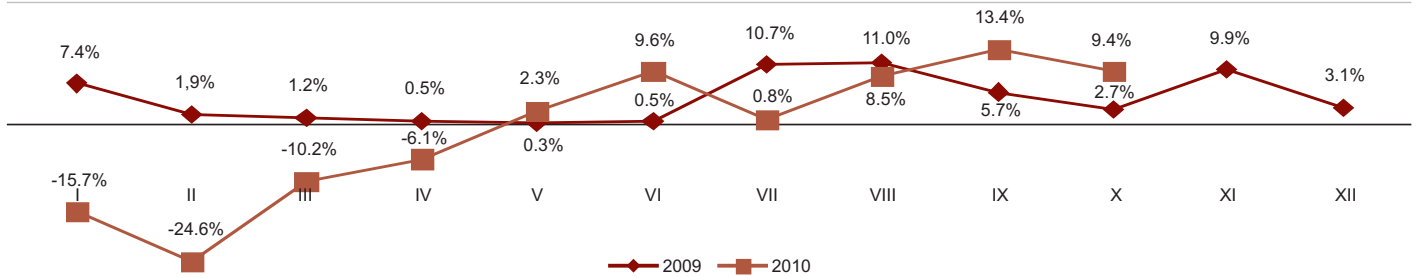
Oct 2010	Change	Jan-Oct 2010
PLN 3.9562	↓↓	PLN 3.9985

Source: Warsaw Stock Exchange, 2010

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Zmiany produkcji budowlano-montażowej, 2009-2010



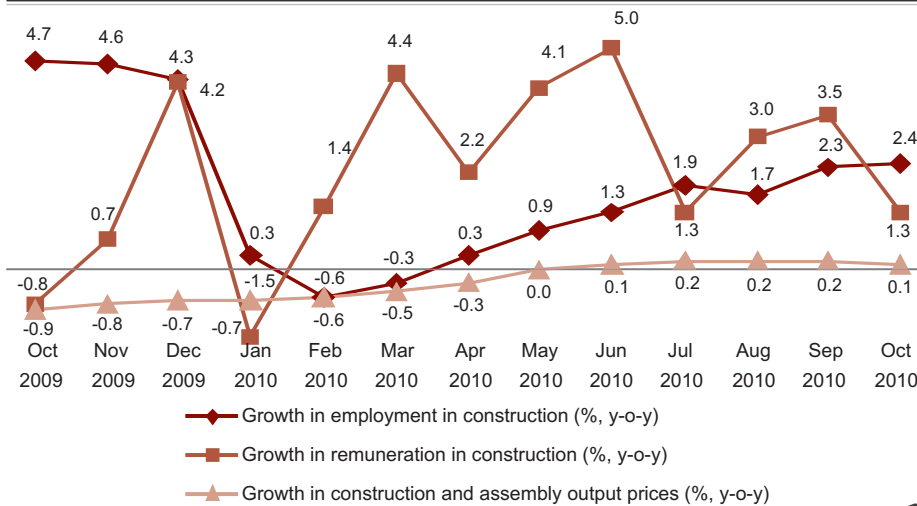
Wielkości procentowe prezentują realne zmiany produkcji budowlano-montażowej w porównaniu do analogicznego roku poprzedniego
Źródło: GUS, 2010

Analysis of the construction sector

Winter downtime made good – construction back in the black at last

After a very strong September, construction output in October rose once more to bring construction output dynamic back onto a growth path after nine months.

Rises in the level of employment, average gross remuneration and prices in the construction industry in Poland, October 2009-October 2010



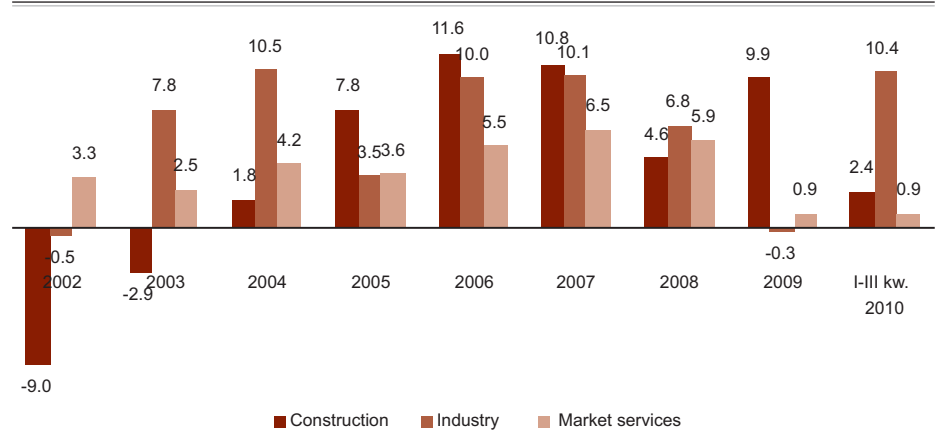
Source: PMR Publications based on GUS data, 2010

Construction and assembly output in October was nearly PLN 8.9bn, up 9.4% on October 2009, from growth of 13.4% in the previous month. This increase in October at last produced the first rise in the value of construction output this year, of 0.2%, and this should accelerate further over the final two months of the year – we estimate that preliminary data for 2010 will show growth of around 2%, while final data should give growth of around 4%.

October's upturn was largely the result of a dynamic increase in output in the group of construction companies engaged in specialist work (growth of 26.8%), while civil engineering contractors recorded a rise of 7.6%, and building construction firms (the largest group, generating 40% of overall output) saw growth of 4.2%. In the same period employment growth rates also saw another successive month of growth, while growth in pay and construction prices slowed slightly.

According to a preliminary estimate of GDP for Q3 2010, the value added growth rate in construction was 6.1%, and for the period Q1-Q3 it was 2.4%, largely thanks to the strong growth rate in Q3. We estimate that equally dynamic growth rates in the final quarter of the year should further improve the rise in value added for the whole of 2010 in construction to a whole-year figure of around 4-5%. The share of construction in the generation of gross value added in the period Q1-Q3 2010 was 6.4%, compared to 6.8% and 6.6% in the same periods of 2009 and 2008.

Real change in Gross Domestic Product in Poland (%), 2002-Q1-Q3 2010



Bartłomiej Sosna
Senior Construction Analyst
PMR Publications

Note: dynamics in average prices for a previous year.
Source: GUS, 2010

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A D V E R T I S I N G

Housing construction

Homes completed

Homes completed and under construction, 2005-2010

	2005	2006	2007	2008	2009	Jan-Oct 2010
Homes completed	114,066	115,353	133,698	165,833	160,079	107,506
Change in number of homes completed (% , y-o-y)	5.5%	0.1%	16.0%	24.0%	-3.1%	-17.5%
Homes under construction (end of period, '000)	595.0	626.5	677.9	686.8	670.2	702.7
Change in number of homes under construction (% , y-o-y)	-2.0%	3.9%	8.3%	1.3%	-2.5%	3.1%

Source: GUS, 2010

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Number of homes completed, January- October 2009 and January-October 2010

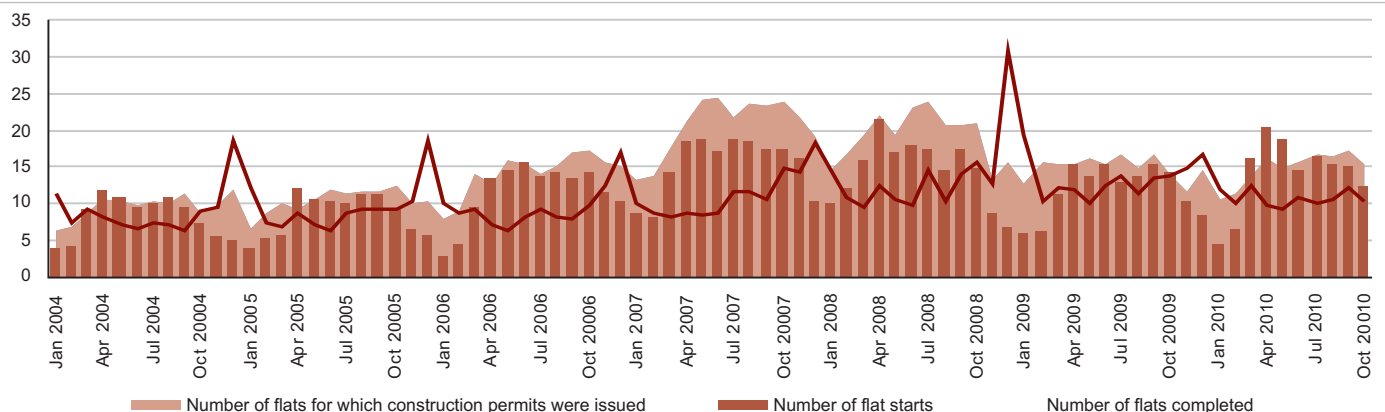
Voivodship	Ogółem			Powierzchnia mieszkań oddanych do użytku, tys. m ²		
	Jan-Oct 2009	Jan-Oct 2010	Change yo-y	Jan-Oct 2009	Jan-Oct 2010	Change yo-y
Dolnośląskie	11,741	10,602	-9.7%	1,047	998	-4.7%
Kujawsko-Pomorskie	5,043	4,271	-15.3%	527	455	-13.6%
Lubelskie	4,735	4,228	-10.7%	505	468	-7.3%
Lubuskie	2,838	2,299	-19.0%	289	249	-13.9%
Łódzkie	5,196	5,186	-0.2%	577	595	3.2%
Małopolskie	16,173	10,189	-37.0%	1,467	1,175	-19.9%
Mazowieckie	33,212	23,215	-30.1%	3,144	2,383	-24.2%
Opolskie	1,468	1,860	26.7%	162	206	26.8%
Podkarpackie	4,315	3,827	-11.3%	491	458	-6.8%
Podlaskie	2,758	3,094	12.2%	276	319	15.6%
Pomorskie	11,848	9,526	-19.6%	1,090	944	-13.4%
Śląskie	8,368	7,665	-8.4%	1,022	1,023	0.1%
Świętokrzyskie	1,454	1,772	21.9%	166	193	16.4%
Warmińsko-Mazurskie	3,550	4,004	12.8%	347	381	9.7%
Wielkopolskie	11,454	10,927	-4.6%	1,225	1,220	-0.4%
Zachodniopomorskie	6,183	4,841	-21.7%	568	478	-15.9%
Polska	130,310	107,506	-17.5%	12,902	11,547	-10.5%

Data on numbers of homes in particular voivodships are registration data from gmina and powiat administrators' offices. They are of a preliminary nature and in some cases may differ slightly from the data for the whole Poland published by GUS.

Source: GUS, 2010

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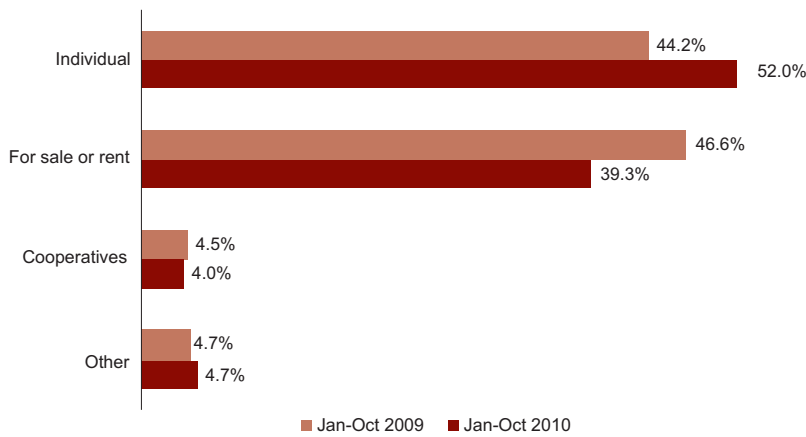
Number of flats for which construction permits were issued, flat starts and flats completed in Poland ('000), January 2004-October 2010



Source: GUS, 2010

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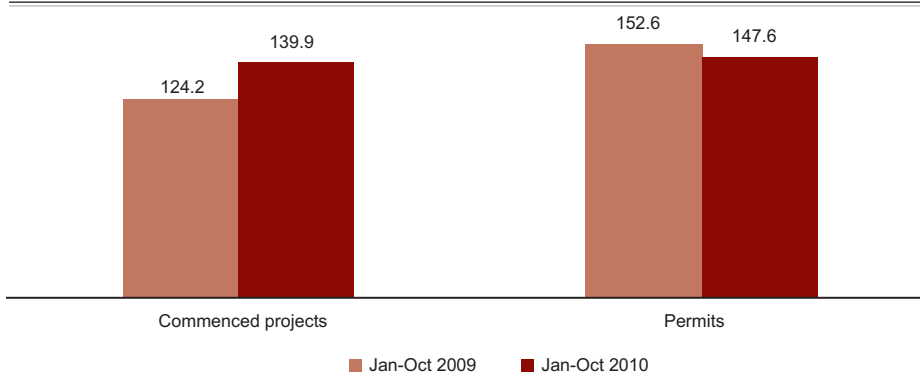
Home completions by type of investor, January-October 2009–January-October 2010



Source: GUS, 2010

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Commenced projects and issued construction permits ('000), January-October 2009–January-October 2010



Source: GUS, 2010

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In January-October 2010 a total of 107,506 flats were completed for use (including 4,305 in housing cooperatives, 55,857 in individual

construction, 42,240 dwellings built for sale or rent; the remaining 5,104 comprised municipal, company and social rent housing

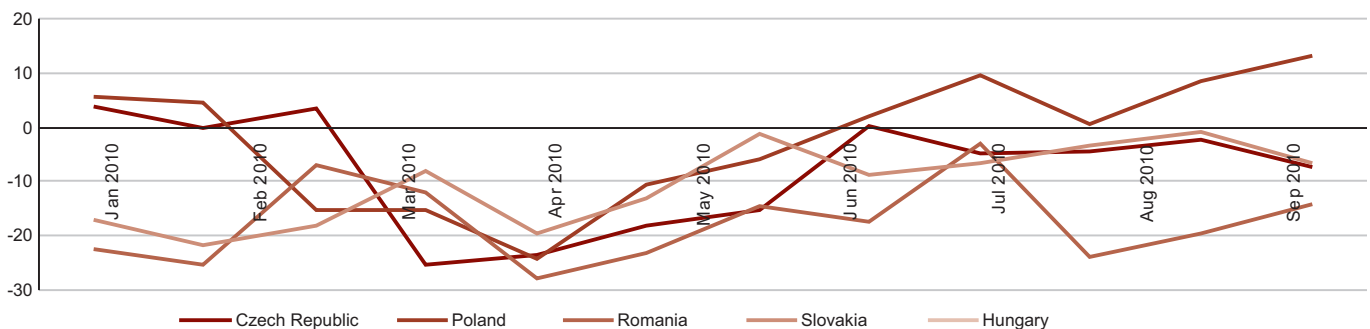
units), which represented decline of 17.5% relative to corresponding period of 2009.

The most substantial increase in the number of completed flats was reported in voivodships: Opolskie (by 26.7%), Świętokrzyskie (by 21.9%) and Warminsko-Mazurskie (by 12.8%). The sharpest decline was observed in the Malopolskie voivodship (by 37%). Mazowieckie was, as usual, the region with the largest number of new residential projects completed – investors completed almost 23,200 flats there. The capital city region was followed by Wielkopolskie voivodship with over 10,900 completed dwellings and Dolnoslaskie with more than 10,600 homes completed.

During the first 10 months of 2010, developers obtained permits to construct 55,600 housing units, i.e. 3.8% more relative to the previous year whereas the number of building permits secured by individual investors fell by 3.1% year on year to 85,500. Throughout the country, in the analysed period, all investors obtained construction permits for 147,600 housing units (a 3.3% decline compared to January-October 2009) and commenced work on 139,900 dwellings (increase by 12.6%).

In terms of the number of dwellings completed per 1,000 residents, the Mazowieckie voivodship noted 4.44 housing units per 1,000 inhabitants, and Pomorskie region followed with 4.26. Dolnoslaskie took the third place with 3.68 dwellings per 1,000 residents. The lowest ratios were noted in voivodships: Swietokrzyskie (1.40 housing units per 1,000 residents), Slaskie (1.65 dwellings per 1,000 residents) and Podkarpackie (1.81). The national average ratio stood at 2.82, while in January-October 2009 it was 3.36, and 3,20 in January-October 2008.

Growth of construction output in CEE countries (% y-o-y), January 2010–September 2010



Source: national statistics offices, 2010

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Statistical data

Polish economy

Main macroeconomic indicators

	2005	2006	2007	2008	2009	Q1-Q2 2010
GDP						
GDP growth	3.6%	6.2%	6.8%	5.0%	1.7%	3.2%
GDP – value (PLNbn)	983.3	1,060.0	1,176.7	1,272.8	1,341.9	672.6
Gross value added in industry – value (PLNbn)	213.8	229.9	252.2	272.0	274.2	135.6
Gross value added in industry	3.5%	10.0%	10.1%	6.6%	-1.1%	12.1%
Gross value added in construction – value (PLNbn)	52.2	59.8	73.5	84.9	88.8	32.0
Gross value added in construction	7.8%	11.6%	10.8%	9.1%	4.7%	0.2
Individual consumption	2.1%	5.0%	4.9%	5.9%	2.3%	2.6%
Gross fixed capital formation	6.5%	14.9%	17.6%	8.2%	-0.3%	-6.2%
Unemployment rate	17.6%	14.9%	11.4%	9.5%	11.9% (Dec2009)	11.5% (Oct2010)
	2005	2006	2007	2008	2009	Jan-Oct 2010
Output						
Volume of industrial output (PLNbn)	663.2	749.8	826.0	860.8	855.0	776.9
Change in industrial output	4.0%	11.9%	9.8%	2.5%	-3.2%	9.6%
Consumer prices						
Prices for consumer goods and services (CPI)	2.1%	1.0%	2.5%	4.2%	0.2%	2.5%
Producer prices						
Prices of sold production of industry (PPI)	0.7%	2.0%	2.0%	2.2%	3.4%	1.5%
Prices in construction and assembly production	3.1%	3.2%	7.4%	4.8%	0.2%	-0.1%
Average gross monthly salaries:						
Change in gross monthly salaries in enterprise sector*	3.2%	5.1%	9.2%	10.3%	4.4%	2.9%
Change in gross monthly salaries in manufacturing*	2.8%	5.9%	9.7%	9.1%	3.9%	5.1%
Foreign investments						
Volume (€ bn)	8.3	15.2	13.5	11.2	8.0 (Jan-Oct)	6.3 (Jan-Jun)

* in nominal terms

Percentage data present changes to the position compared to the corresponding period of the previous year (except for "Unemployment", which represents values at the end of a given period).

Source: GUS, NBP, 2010

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Financial indicators

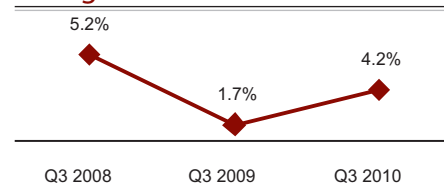
	2009	Sep 2010	Oct 2010
\$1=PLN ¹	3.1162	3.0318	2.8482
€1=PLN ¹	4.3273	3.9558	3.9562
Discount Rate ²	4.00%	4.00%	4.00%
Lombard Rate ²	5.00%	5.00%	5.00%

¹ average² end of a given period

Source: GUS, NBP, 2010

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GDP growth

Note: preliminary estimate.
Source: GUS, 2010

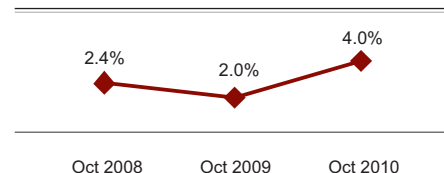
Main macroeconomic indices – forecast

	Q3 2010		Q4 2010	
	2009	2010	2011	2011
GDP	3.4%	3.4%	3.6%	3.6%
CPI	3.5%	2.4%	2.9%	2.9%
PPI	3.4%	1.8%	3.3%	3.3%
€1=PLN (end of a given period)	4.11	3.92	3.76	3.76

Source: BZ WBK, Citibank, Pekao, PKO BP, PKPP Lewiatan, PMR Publications, Raiffeisen Bank (mean forecasts, updated September 2010)

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Producer Price Index

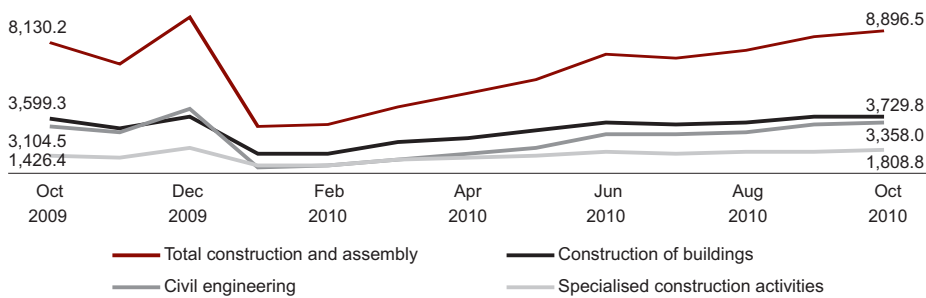


Source: GUS, 2010

Statistical data

Construction and assembly output

Construction and assembly output (PLN m), October 2009-October 2010



Source: GUS, 2010

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Sale of construction and assembly output, 2008-2010

	2008	2009	Jan-Oct 2010
Sale of construction and assembly output (total)			
PLN bn	77.2	80.0	62.8
€ bn	21.9	18.5	15.7
Change y-o-y	-	3.7%	0.2
Construction of buildings			
PLN bn	35.8	35.3	28.1
€ bn	10.2	8.1	7.0
Change y-o-y	-	-1.1%	-0.3
Civil engineering			
PLN bn	24.0	28.4	21.1
€ bn	6.8	6.5	5.3
Change y-o-y	-	16.9%	-1.5
Specialised construction activities			
PLN bn	17.4	16.4	13.6
€ bn	4.9	3.8	3.4
Change y-o-y	-	-5.3%	4.5

Domestic construction and assembly output realized by construction entities employing more than nine persons
Source: GUS, 2010

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Employment, salaries and financial indicators in construction, 2006-2010

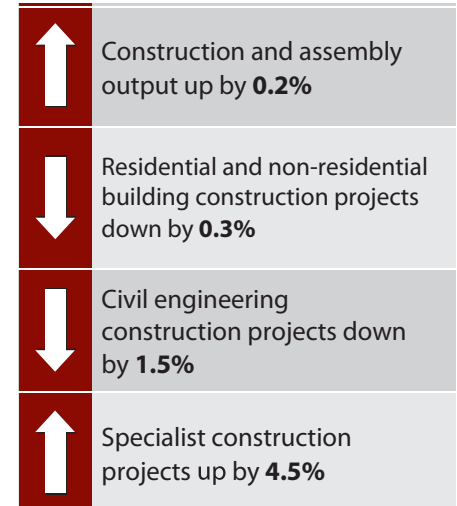
	2006	2007	2008	2009	Jan-Oct 2010
Average employment ('000)	329	393	414	436	436
Change in average employment (y-o-y, %)	3.6%	9.1%	5.4%	5.3%	0.7%
Average gross salary					
PLN	2,575.5	2,980.2	3,367.3	3,709.04	3,476.27
€	783.2	904.9	957.5	895.4	869.39
Nominal change in gross monthly salaries in construction (y-o-y, %)	9.9%	15.5%	13.0%	4.2%	1.2%
Price indices of construction and assembly output (y-o-y, %)	2.9%	7.4%	4.8%	-0.6%	0.2%*
	2006	2007	2008	2009	Jan-Sep 2010
Total operating expenses to total income ratio (%)	95.6%	93.4%	93.1%	93.4%	95.2%
Liquidity ratio (%)	40.0%	46.8%	42.0%	56.9%	38.4%

* September
Source: GUS, 2010

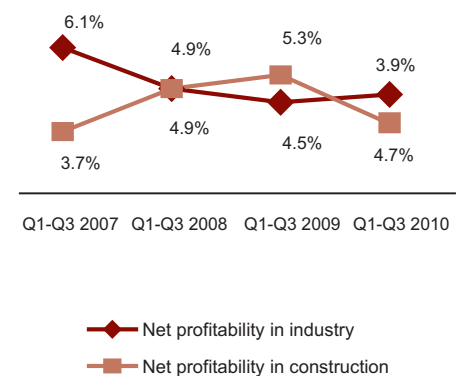
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In October 2010 r. construction and assembly output sold at current prices totalled around PLN 8.9bn. In real terms, it was 3.8% higher than the figure recorded in September 2010 and 9.4% higher than in October 2009 r.

January-October 2010

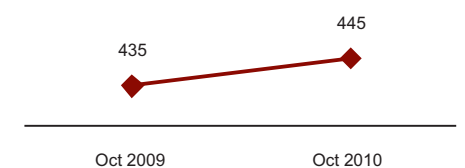


Net profitability in industry and construction, Q1-Q3 2007-Q1-Q3 2010



Source: GUS, 2010

Average employment in construction ('000), October 2009-October 2010



Source: GUS, 2010

Statistical data

Building materials

Production of basic building materials, January-October 2010

Building materials– output Change (relative to analogous period of previous year)	2008	2009	Jan-Oct 2010
Cement (in thousands of tonnes)	17,207 1.9%	15,347 -9.8%	13,656 2.3%
Cement clinker (in thousands of tonnes)	12,443 -4.6%	10,659 -14.3%	10,000 8.7%
Lime (in thousands of tonnes)	1,886 -11.4%	1,663 -11.8%	1,476 6.3%
Gypsum binder containing calcined gypsum or calcium sulphate (in thousands of tonnes)	1,442 12.2%	995 -31.0%	1,077 36.2%
Asphalts (in thousands of tonnes)	1,646 -4.8%	2,454 49.1%	2,425 17.0%
Double glazing unit (in thousands of m ²)	13,340 6.9%	12,489 -6.4%	10,178 -4.0%
Multiple glazing unit (in thousands of m ²)	328 0.0%	578 76.2%	755.0 63.4%
Windows and doors, door frames and wooden thresholds (in thousands of m ²)	11,503 -7.1%	11,884 3.3%	10,661 6.6%
Wooden parquet boards with base width of at least 40 cm (in thousands of m ²)	30,464 -6.1%	1536 7.3%	32,444 24.2%
Ceramic roof tiles (in thousands)	179,484 -0.3%	137,062 -23.6%	128,918 7.4%
Sanitary ceramic ware (in tonnes)	110,701 6.5%	89,121 -19.5%	79,236 6.8%
Including: porcelain sanitary ware (in tonnes)	52,489 -1.0%	38,814 -26.1%	30,291 -7.4%
Bricks and other elements from clay (in thousands of m ³)	3,721 2.6%	3,395 -8.7%	2,827 -4.7%
Including: hollow ceramic wall bricks (in thousands of m ³)	3,364 4.0%	2,912 -13.5%	2,485 -2.5%
bricks from burned clay (in thousands of m ³)	611 -12.0%	394 -35.4%	1,466 -3.4%
Bricks and other elements from clay (in millions of bricks)	1,991 3.9%	1,741 -12.6%	1,289 -1.4%
Including: hollow ceramic wall bricks (in millions of bricks)	1,807 5.4%	1,490 -17.6%	261 -23.7%
bricks from burned clay (in millions of bricks)	329 -10.8%	199 -39.5%	132.0 -23.6%
Wall blocks from lightweight concrete (in thousands of tonnes)	3,575 -13.3%	3,156 -11.7%	2,614 -3.0%
Wall blocks from lightweight concrete (in thousands of m ³)	5,016 -13.5%	4,481 -10.7%	3,708 -3.1%
Wall elements from sand-lime (in thousands of m ³)	1,037 -0.5%	1,095 -24.3%	958.0 2.1%
Including: sand-lime brick (in thousands of m ³)	625 -8.8%	427 -31.7%	402 10.4%
Gypsum wall blocks and boards (in thousands of tonnes)	1,181 2.7%	985 -16.6%	848.0 -1.9%
Pre-fabricated concrete mix (in thousands of tonnes)	27,448 9.1%	27,047 -1.5%	25,777 16.7%
Thermal insulation from mineral wool (in thousands of tonnes)	364 -21.2%	331 -8.90%	326.0 17.3%
Paints, varnishes and similar coating agents, printing ink and pre-mixed siccativ (in thousands of tonnes)	1,067 6.4%	912 -14.6%	869.0 9.7%

Note: Data concerning industrial producers with 50 or more employees, encompassing output of finished products, in physical units of measurement, for sale or for further processing externally - as at the end of a given month. Central Statistical Office classifies as "asphalt" goods classified in Western European countries as "bitumen". Source: GUS, 2010

Data on voivodships

	Poland	Dolnoslaskie	Kujawsko-Pomorskie	Lubelskie	Lubuskie	Lodzkie	Malopolskie	Mazowieckie	Opolskie	Podkarpackie	Podlaskie	Pomorskie	Slaskie	Swietokrzyskie	Warmińsko-Mazurskie	Wielkopolskie	Zachodniopomorskie
Population, end June 2010, '000	38,186.9	2,877.1	2,069.6	2,154.9	1,010.7	2,538.5	3,304.3	5,232.4	1,029.9	2,102.7	1,189.2	2,235.5	4,638.5	1,268.3	1,427.6	3,414.2	1,693.5
Urban population, end June 2010, '000	23,283.8	2,019.3	1,255.2	1,004.9	642.3	1,626.6	1,627.9	3,379.9	538.6	870.5	718.1	1,477.5	3,619.2	572.2	853.8	1,911.9	1,166.1
Unemployment rate, end October 2010	11.5%	12.4%	15.3%	12.0%	14.7%	11.4%	9.6%	8.9%	12.1%	14.8%	12.3%	11.7%	9.6%	13.9%	18.7%	8.6%	16.1%
Industrial output, Jan-Oct 2010	776,923.5	73,160.0	35,841.7	17,454.5	20,112.5	40,282.5	47,504.0	158,597.3	18,077.8	24,291.4	13,344.5	47,860.2	143,251.7	16,506.0	17,851.1	82,427.8	20,360.6
PLN m	194,075.6	18,275.4	8,953.3	4,360.1	5,024.1	10,062.6	11,866.5	39,617.6	4,515.8	6,068.0	3,333.5	11,955.5	35,784.3	4,123.2	4,459.2	20,590.5	5,086.1
Change in industrial output, Jan-Oct 2010	9.6%	14.2%	23.2%	12.4%	17.4%	11.5%	17.9%	7.4%	11.0%	16.3%	1.4%	13.9%	12.8%	3.3%	14.8%	7.2%	8.4%
Average employment in industry, Jan-Oct 2010	2,436	209	126	83	65	166	170	320	58	118	46	135	436	60	77	288	78
Change	-0.9%	-1.9%	1.7%	1.1%	0.2%	-0.6%	-0.3%	0.7%	0.2%	-0.8%	-5.4%	-1.8%	-1.8%	-3.2%	0.0%	-1.2%	-4.0%
Average gross monthly wage in industry, Jan-Oct 2010	3,415.0	3,753.0	2,930.3	3,033.3	2,944.7	3,030.9	3,251.1	3,997.3	3,201.0	2,866.8	2,885.3	3,393.6	3,926.4	3,106.4	2,709.1	3,201.2	3,075.4
PLN	853.1	937.5	732.0	757.7	735.6	757.1	812.1	998.5	799.6	716.1	720.7	847.7	980.8	776.0	676.7	799.7	768.2
Change in average gross monthly wage in industry, Jan-Oct 2010	4.9%	6.2%	4.5%	6.2%	6.4%	8.8%	3.4%	3.8%	4.5%	5.8%	5.1%	2.6%	4.3%	3.1%	5.1%	6.2%	3.2%
Companies with foreign capital, end Oct 2010	67,506	6,490	1,679	1,062	2,690	2,690	3,688	25,140	1,387	957	519	4,128	5,565	556	937	5,789	4,229

Percentage data present changes to the position compared to the corresponding period of the previous year (except for "Unemployment", which represents values at the end of a given period).
Source: GUS, 2010

Data on voivodships

All statistics refer to Jan-Oct 2010	Poland		Dolnoslaskie		Kujawsko-Pomorskie		Lubelskie		Lubuskie		Lodzkie		Malopolskie		Mazowieckie		Opolskie		Podkarpackie		Podlaskie		Pomorskie		Slaskie		Swietokrzyskie		Warmiansko-Mazurskie		Wielkopolskie		Zachodniopomorskie	
	PLN m	€ m	PLN m	€ m	PLN m	€ m	PLN m	€ m	PLN m	€ m	PLN m	€ m	PLN m	€ m	PLN m	€ m	PLN m	€ m	PLN m	€ m	PLN m	€ m	PLN m	€ m	PLN m	€ m	PLN m	€ m	PLN m	€ m	PLN m	€ m		
Construction output	122,681.6	7,685.1	4,195.2	3,276.0	1,403.5	5,031.0	10,301.1	40,270.8	2,091.6	3,824.7	2,901.1	6,467.2	13,247.8	3,040.6	2,522.1	12,554.3	3,869.6																	
Change in construction output	30,645.9	1,919.7	1,048.0	818.3	350.6	1,256.7	2,573.2	10,059.7	522.5	955.4	724.7	1,615.5	3,309.3	759.5	630.0	3,136.1	966.6																	
Share in construction output	100.0%	6.3%	3.4%	2.7%	1.1%	4.1%	8.4%	32.8%	1.7%	3.1%	2.4%	5.3%	10.8%	2.5%	2.1%	10.2%	3.2%																	
Average employment in construction, '000	436	32	22	17	7	22	41	85	8	19	9	28	61	13	14	43	15																	
Change in average employment in construction	0.7%	-4.0%	5.2%	1.0%	-7.0%	4.3%	6.3%	-3.3%	2.3%	7.6%	9.1%	9.4%	-2.3%	4.3%	-0.4%	-3.9%	7.7%																	
Average gross monthly salary in construction	3,476.3	3,669.0	2,899.7	2,825.1	2,720.1	3,019.5	3,064.3	4,806.1	3,142.9	2,756.1	3,489.9	3,363.4	3,293.2	2,875.9	2,807.2	3,252.7	3,129.4																	
Change in average gross monthly salary in construction	868.4	916.5	724.4	705.7	679.5	754.3	765.5	1,200.6	785.1	688.5	871.8	840.2	822.6	718.4	701.2	812.5	781.7																	
Investment in construction companies, Jan-Oct 2010	1,412.6	129.3	34.5	41.3	5.4	18.5	104.6	569.6	16.9	61.7	20.9	48.2	224.3	20.8	23.6	73.8	19.2																	
	352.4	32.3	8.6	10.3	1.3	4.6	26.1	142.1	4.2	15.4	5.2	12.0	56.0	5.2	5.9	18.4	4.8																	

Percentage data present changes to the position compared to the corresponding period of the previous year.
Source: GUS, 2010

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Explanatory notes on statistics in our newsletter

Statistical data in all the tables refer to companies employing more than nine people.

Construction output

This figure covers all the revenues of construction companies, i.e. in addition to construction and assembly revenues, income not directly related to construction activities, such as financial revenues, extra-ordinary profits, and revenue from transport, trade and equipment leasing activities etc.

Construction and assembly output

This category encompasses revenues of construction firms generated only on construction and assembly business. According to the PKD 2007 classification, Section F – Construction is divided into three sub-sections which group individual types of works:

Sub-section 41. Construction works

- Group 41.1. Building construction
- Group 41.2. Residential and non-residential building construction

Sub-section 42. Civil engineering works

- Group 42.1. Motorway and railway construction
- Group 42.2. Pipeline, telecommunications and power line construction
- Group 42.3. Other civil engineering works

Sub-section 43. Specialist construction works

- Group 43.1. Demolition and site preparation
- Group 43.2. Power, water and sewage and other building installation
- Group 43.3. Finishing construction works
- Group 43.9. Other specialist construction works

Statistical data

Construction market climate

The indicator of the general economic climate in construction in November 2010 was -8.4 pts, which represents a drop of 3.2 pts month on month. At the same time, it was higher than in November 2009 (by 2.9 pts), but still lower than the levels seen in the same month since 2004. Assessments of the current and future state of the order portfolio, the output level and financial standing of the construction companies have deteriorated in comparison with October 2010.

4.5% of businesses felt they faced no obstacles to conducting their construction and assembly output activity in November 2010, up from 4.3% in October, while in November 2009 this figure was also 4.5%. The biggest hurdles for construction companies were related as usual to competition from other firms (for 56% of respondents in November against 57% in October 2010 and 62% in November 2009) and employment-related costs (53% in October, 52% in both October 2010 and November 2009). The insufficient demand was the barrier whose significance decreased the most in comparison with the previous year (from 47% to 38%).

Construction and assembly companies assessed their economic condition negatively in November 2010, as they had a month before. Only large companies (of over 250 employees) are positive about their situation but less upbeat than in October; the most pessimistic, on the other hand, are small and micro-business – of 49 employees and fewer. The order portfolios in November declined to a greater extent than it had in the previous month. In terms of company size, the largest enterprises (of over 250 employees) saw the highest growth, though more modest than in October, while those employing under 50 people saw the most substantial decline. Construction and assembly output in November was assessed negatively and worse than in October. The smallest companies (micro companies – with no more than nine employees) had seen the most substantial decline, while the largest had registered the highest growth. In November 2010 companies of all sizes were negative about their financial situation and more pessimistic than in the previous month. Only the largest companies were optimistic but also to a lesser extent than a month before.

All sizes of company reported delays in payment of accounts due for construction and assembly work performed. The least significant delays were reported by the largest units.

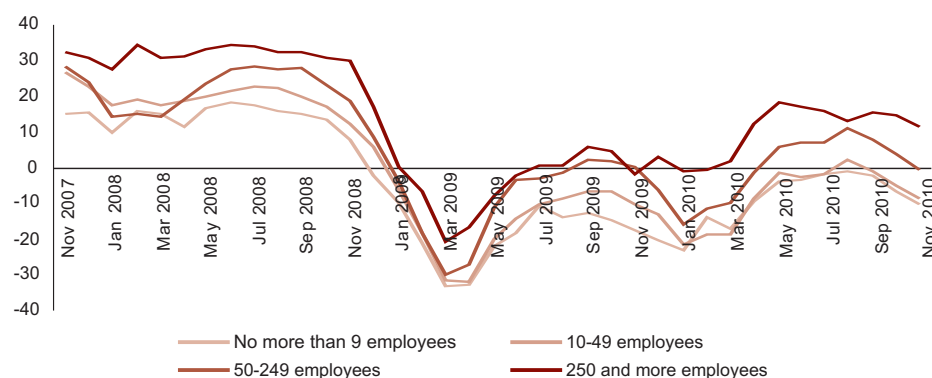
The forecasts of construction and assembly firms regarding their economic condition over the next three months were pessimistic in November 2010 and worse than in October. The most pessimistic were the representatives of micro firms. Order portfolio forecasts were pessimistic and worse than a month ago as well. In terms of company size, large units were the only ones to expect a slight growth in their order numbers and micro and small companies predict the most substantial decline.

The construction companies also expect construction and assembly output to dwindle over the coming three months, and the predicted decline is deeper than that expected in October. The largest decrease is predicted by the small and micro firms. The prognoses for companies' financial condition over the next three months are also pessimistic and worse than those reported in October. The smallest units are, again, the most pessimistic in this respect. With regard to potential increases in the prices of construction and assembly work, the construction firms in general foresee a deeper decrease than that forecasted in October. The largest price reductions are likely to take place in small firms (between 10 and 49 employees).

Construction market climate – note on methodology

The construction market climate survey, conducted by GUS since July 1993, looks at companies engaged in construction and assembly works classified under section 45F ("Construction") under the Polish Classification of Business Activity (PKD), excluding group 45.5 ("Renting of construction or demolition equipment with operator"). The survey is organised in the form of a monthly questionnaire which is completed by approx. 2,200 undertakings, some representing long standing respondents. The collected data is presented as weighted percentage shares of the enterprises which select a given response or as a balance, i.e. the difference between the weighted percentages of positive and negative responses. The result for the question on used production capacity is provided as a percentage value. The indicator of the general economic condition of Polish enterprises comprises a composite ratio, calculated as the arithmetic mean of the balances of responses concerning the current situation and outlooks for the general economic situation of the surveyed enterprise. The indicator can take on values ranging from -100 to +100, in which a positive value means good conditions and a negative – poor conditions. An increase (decrease) in the indicator means an improvement (deterioration) in the economic conditions from the perspective of the surveyed enterprises.

Indicator of general economic climate in construction sector, by company size, November 2007-November 2010



Source: GUS, 2010

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Five main barriers to doing business on the Polish construction market, November 2010

	All companies		1-9 employees		10-49 employees		50-249 employees		250 and more employees	
	Value	Change m-o-m	Value	Change m-o-m	Value	Change m-o-m	Value	Change m-o-m	Value	Change m-o-m
Competition of other firms	56.2	0.2	35.3	-1.0	57.2	1.1	52.7	-0.3	41.9	-0.1
Cost of employment	52.5	-0.9	47.4	-0.9	52.0	-0.7	62.4	-0.6	74.9	-6.0
Insufficient demand	37.8	0.2	39.1	2.1	35.8	0.3	39.0	-0.3	41.9	2.2
Cost of materials	29.4	-0.5	19.7	1.1	30.7	-0.7	31.4	-0.7	24.1	1.2
Financing expenses of the activities	28.2	-0.2	25.5	4.2	29.9	-0.7	27.2	-0.3	26.5	-2.4

Source: GUS, 2010

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Construction firm's present situation related to construction and assembly output on the domestic market, November 2010

	All companies		1-9 employees		10-49 employees		50-249 employees		250 and more employees	
	Value	Change m-o-m	Value	Change m-o-m	Value	Change m-o-m	Value	Change m-o-m	Value	Change m-o-m
Output level	-4.2	-5.8	-14.7	-5.2	-7.7	-6.1	2.3	-5.2	15.3	-10.7
Financial situation	-10.5	-1.6	-16.7	-3.6	-12.8	-1.1	-5.9	-0.1	2.8	-7.5
Order portfolio	-7.4	-6.4	-16.2	-6.4	-11.4	-5.6	-1.3	-7.0	9.5	-13.8
Payment bottleneck	-14.1	0.2	-12.7	0.8	-14.5	-0.1	-13.0	-0.9	-7.6	-4.0
Capacity use (%)	77.2	-0.4	62.0	-1.5	77.4	-0.6	81.6	0.3	83.3	-0.2

Source: GUS, 2010

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Construction firm's predictions for construction and assembly output on the domestic market, November 2010

	All companies		1-9 employees		10-49 employees		50-249 employees		250 and more employees	
	Value	Change m-o-m	Value	Change m-o-m	Value	Change m-o-m	Value	Change m-o-m	Value	Change m-o-m
Order portfolio	-18.5	-8.2	1.4	-21.3	5.7	-23.1	-14.4	-8.5	0.7	-13.7
Output value	-19.6	-9.1	-0.2	-20.6	7.2	-23.2	-17.1	-10.9	-1.7	-18.7
Financial situation	-15.2	-6.3	5.8	-20.6	5.9	-18.7	-10.4	-7.5	6.8	-13.1
Prices of construction services	-7.1	-1.4	11.0	-6.6	13.5	-8.3	-6.3	-1.2	10.7	-6.9
Employment	-20.1	-5.3	4.9	-4.7	10.3	-22.0	-23.8	-7.3	-17.1	-5.5

Source: GUS, 2010

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Construction output up by 10% in 2011

The forthcoming year 2011 can be a breakthrough year for the construction industry in terms of construction output. Provided that the winter weather conditions are relatively favourable, the 2011 average annual growth rate can be up to 10%, driven by large civil engineering projects and major improvement in the building construction sector.

According to our latest report, which is entitled *Construction sector in Poland, H2 2010 – Comparative regional analysis and development forecasts for 2010-2013*, after the challenging years of 2009 and 2010, the coming years will be marked by increased growth in the construction industry. Despite certain difficulties reported by construction companies, the twentieth edition of the report presents a quite positive view of Poland’s construction market.

Civil engineering construction will continue to be the main driver of growth in the Polish construction industry in the upcoming years. However, given the exponential growth in 2009 and, consequently, a higher base of comparison, civil engineering construction will register slightly weaker growth in the coming years. Given the fact that a vast majority of civil engineering projects are public projects, some of them may be delayed. A serious risk is also posed by concurrent execution of so many large road projects as some of these projects can encounter various obstacles.

Compared to the forecasts of six months ago, development prospects for non-residential construction have slightly improved, mainly due to the stabilisation in commercial construction and expectations of continued increases in the public utility construction segment (growth of approx. 40% in 2010). Improvement will be also powered by the recovery in the financial sector, more dynamic growth of the Polish economy and a stronger inflow of foreign direct investments into Poland.

Despite the major slowdown in the housing market, long-term growth prospects for

the sector remain positive. It should be noted that the crisis in the Polish housing market proved decisively less severe than commonly expected and its impact was much less acute when compared with most EU countries. Information published by the major developers in the recent months suggests that the supply of developer-built homes will partly recover already in 2010.

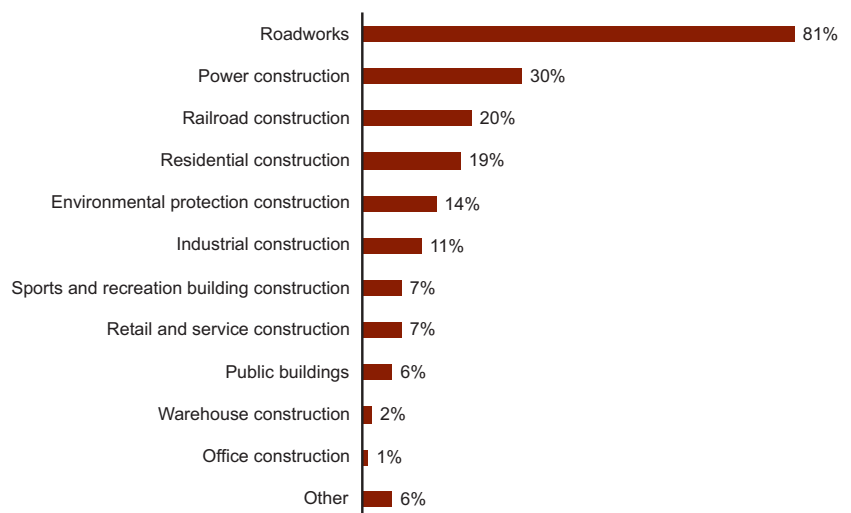
In 2009, the developer construction segment caught up with the individual construction in terms of housing completions. Due to the major slowdown in new investment projects by developers in 2008 and 2009, we expect that individual construction

will retain the status of the biggest residential construction segment. However, in the long term, developers’ contribution will rise more strongly as, in addition to multi-dwelling buildings, developers are more and more active in building smaller residential buildings, including single-family houses and residences, so wealthier Poles will decide to use developers’ services instead of building the house using their own means.

Development forecasts presented in the report are also confirmed by the opinions of the largest construction companies on the most promising segments of the construction market in a two-year time horizon. Traditionally, road construction is named to be the most attractive sector in the next two years – 81% of respondents shared this view. Power construction (including facilities for the power, gas and fuel industries) was ranked second in terms of attractiveness. Railway construction was considered to be the most attractive construction segment by one in five respondents – it marks a strong increase from a year ago (9% in September 2009). Residential construction was recognised to be a prospective sector by a roughly similar percentage as the railway construction (up from 12% a year earlier).

Environmental protection construction (sewage treatment plans, sewage systems, pipelines), which was the third most attractive segment of the construction market in

Which segments of the construction market will be the most attractive to Polish companies in the next two years?



Source: Report "Construction sector in Poland, H2 2010 – Comparative regional analysis and development forecasts for 2010-2013", PMR Publications, 2010

the previous editions of the survey (31% in September 2009), garnered 14% of responses. The industrial construction segment (industrial plants, production halls, etc.) was mentioned by 11% of respondents.

While in the corresponding period of 2009 the construction of sports and recreational

facilities was recognised to be the most attractive sector of the construction market by one-third of respondents, only 7% of respondents to the latest survey mentioned sports and recreational facilities, due to the highly advanced stage of most stadiums' construction.

Bartłomiej Sosna
Senior Construction Analyst
PMR Publications

Building energy performance certificates – consequences of lack of a certificate or errors in the certificate

It is now nearly two years since the building energy performance certificate, commonly known as the energy certificate, became a feature of Polish regulations and enforced new standards on the Polish construction market. Imposed by Directive 2002/91/CE of the European Parliament and Council of 16 December 2002 on the energy performance of buildings (OJ L 1, 04.01.2003, pp. 65-71), it was adopted into Polish construction law with the amendment in the act of 19 September 2007 (Dz.U. 07.191.1373), which came into force on 1 January 2009. Since that date, the relevant regulations on the building energy performance certificate have already been slightly amended, in the act of 27 August 2009 (Dz.U. 2009.161.1279), most of which came into force on 15 October 2010 ("the Act").

All those with an interest in the matter, whether of their own volition or out of necessity, have by now learned that the energy performance certificate is a document issued solely by the authorised experts and indicating the amount of energy actually consumed or estimated to meet the different needs connected with the standardised use of a given building. The above is assessed with reference to permanent building features: its purpose, standard, location and above all the technical characteristics and installations in

it. The energy performance profile is a body of data indicating the energy requirements for heating, hot water, air-conditioning and lighting. If the above indicators show that the building does not meet the energy-saving requirements set down in the construction law, the expert issuing the certificate will include their suggestions regarding work that could be done to improve the cost-effectiveness of the building energy profile.

Main obligations connected with the introduction of energy performance certificates

The obligation to be in possession of an energy certificate essentially applies to all new buildings approved for occupancy. It has also been extended to apply to existing buildings, residential premises and parts of buildings constituting an independent whole in terms of technology and usage where these are being released for sale or rent, and also where their previous energy performance profile has changed as a result of alterations or renovations. As this shows, the requirement to be in possession of a certificate essentially applies to all buildings and parts thereof (the few exceptions are listed in Article 5 para. 4

(b) in fine and para. 7 of the Act) in use on a day-to-day basis, regardless of whether they are for professional or residential use.

In the case of buildings whose construction has been completed, the investor is obliged to attach a copy of the building's energy performance certificate to the notification on completion of the construction works or to the application for a occupancy permit. Failure to discharge this obligation may engender consequences in the form of objection raised by the authorities as for commencing the occupancy of the building, or even refusal to issue an occupancy permit.

In respect of existing buildings being released for sale or rent, the owner of the building must ensure that an energy certificate for the building is drawn up where its ten-year period of validity is expiring, and also where the building's energy performance profile has changed as a result of alterations or renovations. The amendment of 15 October 2010 to the energy certificate regulations abolished the option of the vendor or lessor of an existing building or premises of whether to provide an energy performance certificate (Article 63a was struck out). Pursuant to the current wording of the regulations, the vendor gives the buyer, and the lessor provides the lessee with access to the relevant energy performance certificate. Although the voluntary element of this matter has been abolished, the act does not provide for any sanctions if these obligations are not observed, and hence does not render the execution of the sale or lease contract impossible. In practice the parties to a given contract decide whether or not the lack of an energy certificate for the building is a hindrance to concluding the contract.

Badly drawn up certificate

Something akin to a warranty for drawing up the energy certificate fully and with integrity

is imposed on the experts who draw them up, in the form of the obligations listed in Article 52 para. 1 of the Act, i.e. the obligation, over and above performance of all the necessary tasks with all due care, in particular taking account of technical developments and changes in the law, to take out personal liability insurance against damage inflicted in connection with drawing up an energy performance certificate. The consequences of failure to have a certificate drawn up or of a badly drawn up certificate may be very severe for the investor, vendor or lessor of a building. This is closely connected with the law that rules an energy performance certificate containing false information on energy consumption to be a physical defect in the sense of the Civil Code on warranty for faults. In such a situation the contracting party may withdraw from the contract or demand a reduction in

the price. The only way of avoiding such consequences is to have the defect removed immediately, which in the case of an inaccurate energy certificate could involve the necessity of adjustment of the technical parameters of the building or premises accordingly, and thus entail unforeseen costs. Establishing the extent of liability, the scope of the damage, its impact on the contract executed, and the claims resulting therefrom is not something that can be done schematically, and the outcomes would undoubtedly be different for every individual case. The relatively short history of regulations on energy certificates has not yet provided the opportunity for development of solutions to the above problems by Polish jurisprudence. Nevertheless, this does not alter the fact that only as accurate an energy performance profile of a building as possible can help to save energy – which is what the intro-

duction of building energy performance certificates was, after all, designed to do.

*Katarzyna Sasiak
Kancelaria Adwokatów i Radców Prawnych
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