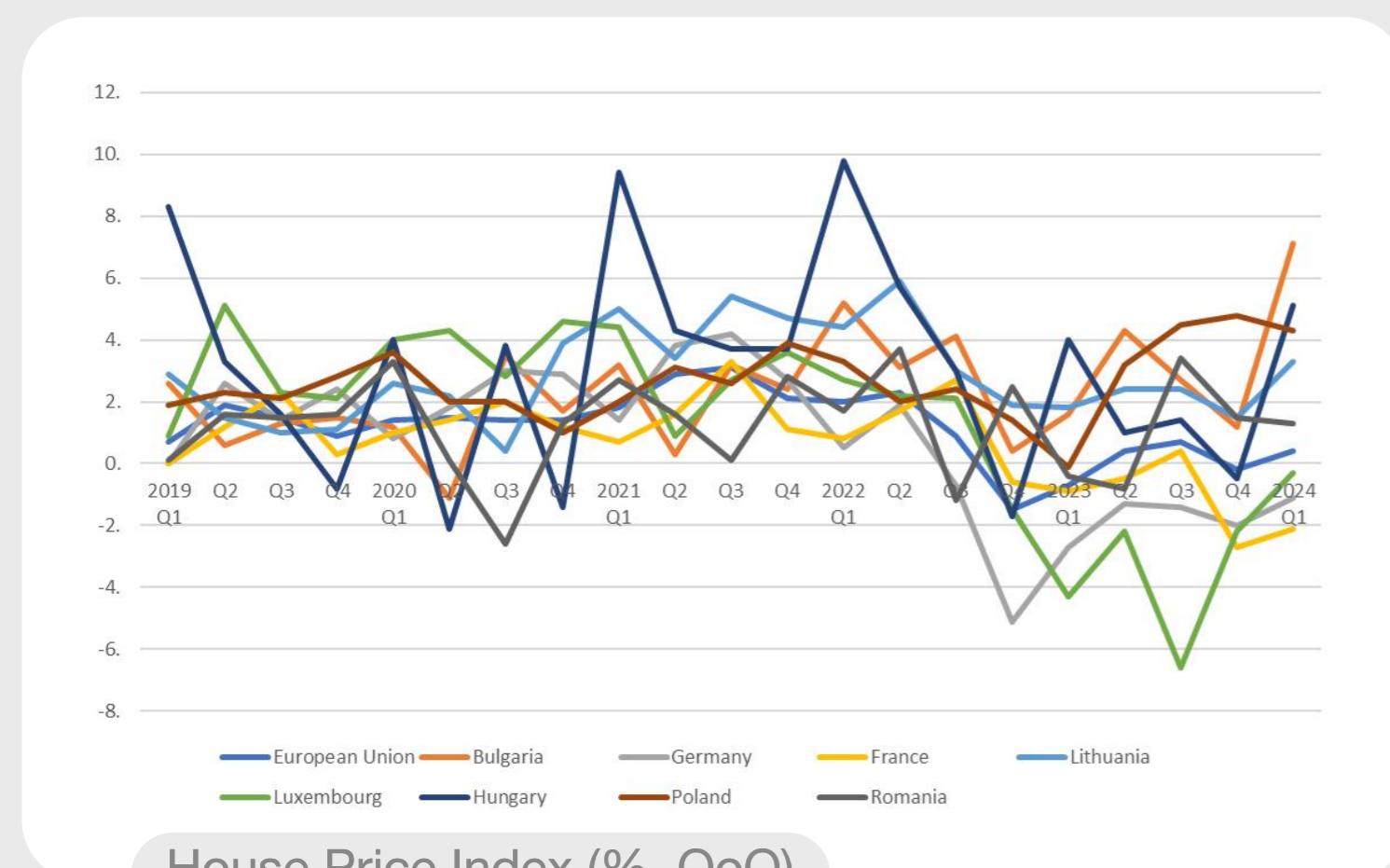


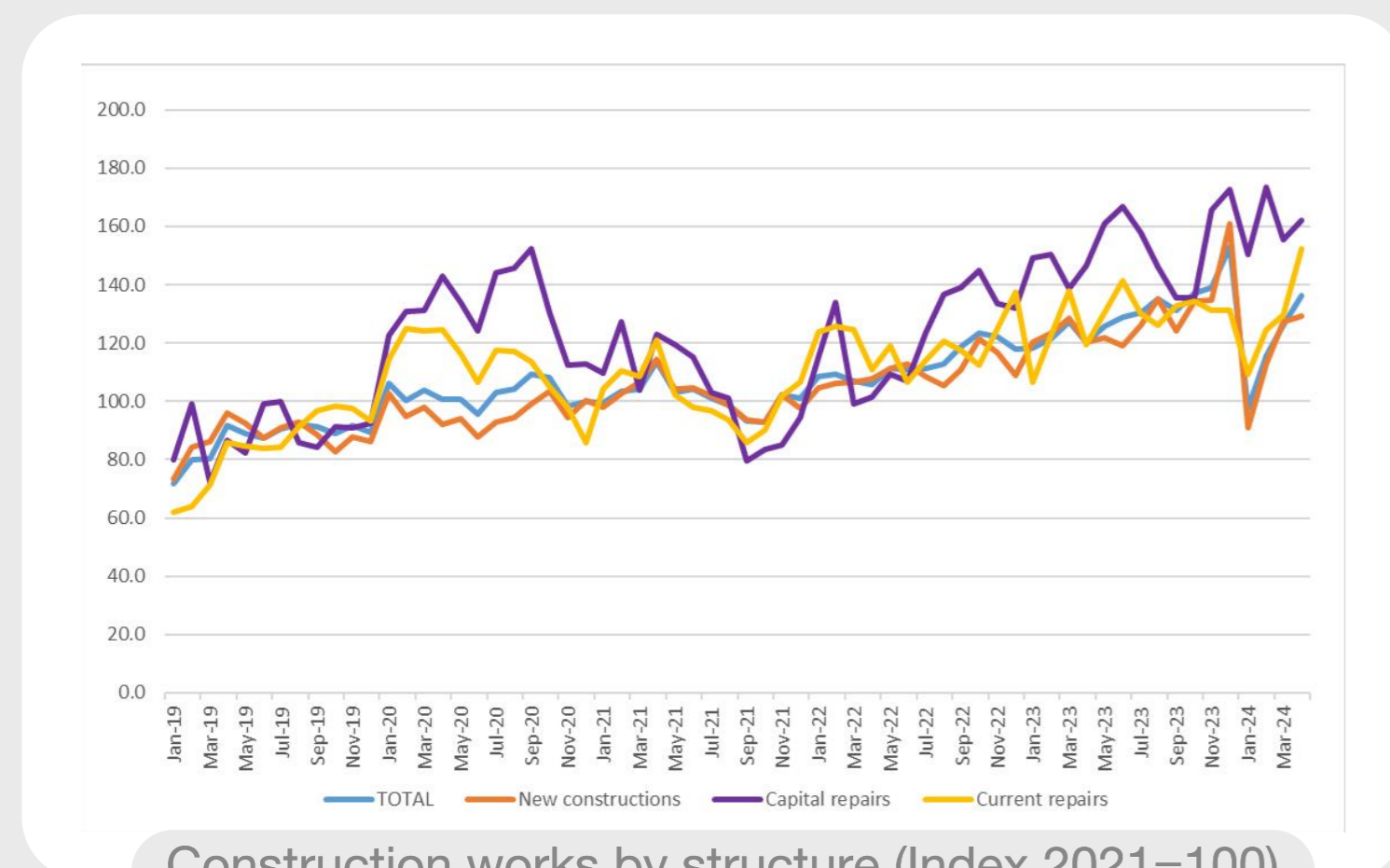
House Price Index (% YoY)

Source: Eurostat



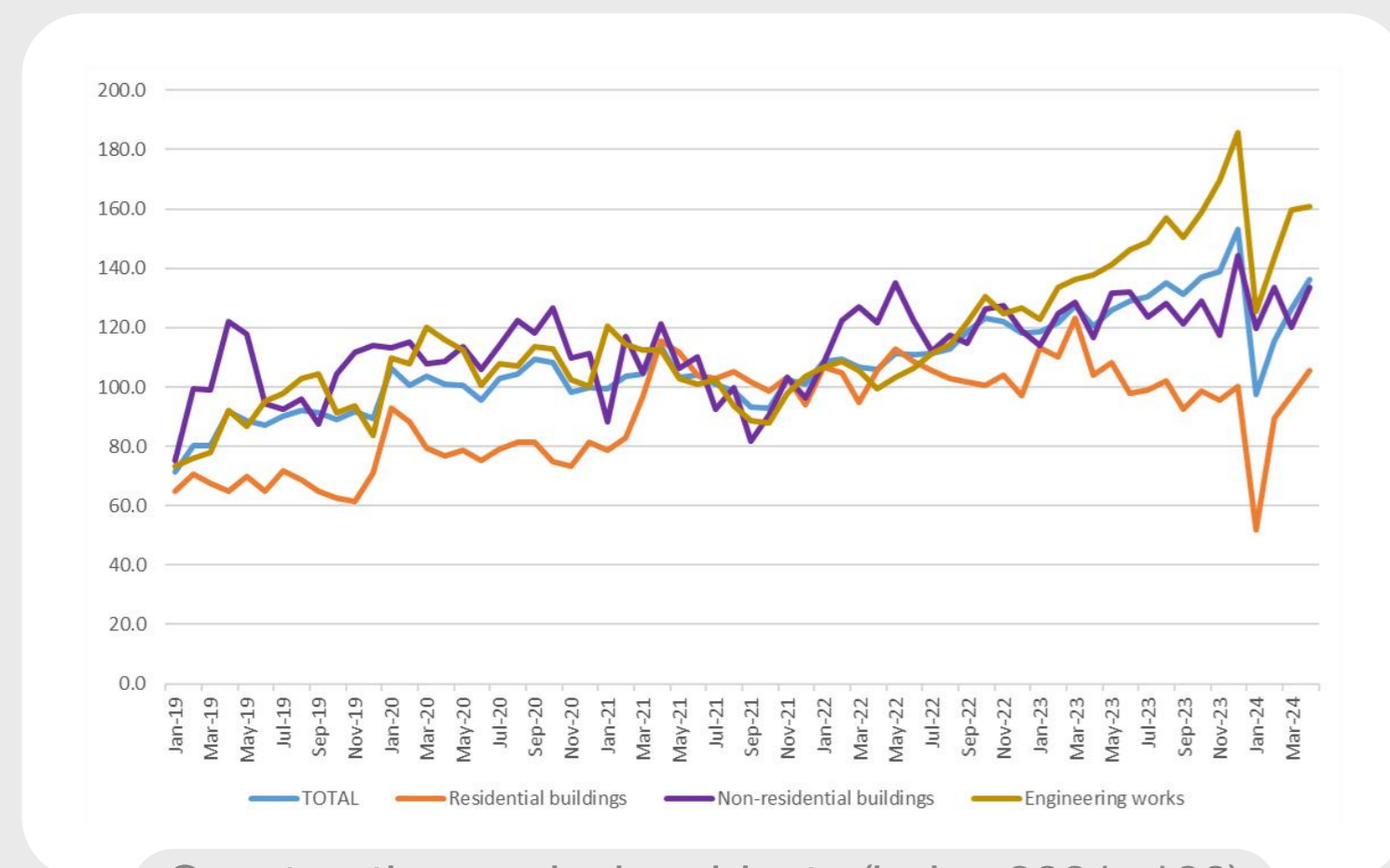
House Price Index (% QoQ)

Source: Eurostat



Construction works by structure (Index 2021=100)

Source: National Institute of Statistics - Romania



Construction works by objects (index 2021=100)

Source: National Institute of Statistics - Romania

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CONSTRUCTIONS TRENDS. Q1 '24 HIGHLIGHTS AND THE ROLE OF NZEB

In the first quarter of 2024, the **House Price index** increased by 1.3% in the EU compared with the same quarter last year. Compared with the previous quarter (Q4 '23), the index increased by 0.4%. Among the EU Member States, the highest increases were recorded in Poland (+18%), Bulgaria (+16%) and Lithuania (+9.9%) compared with the same quarter last year. The largest decreases were in Luxembourg (-10.9%), Germany (-5.7%), and France (-4.8%). In Romania, in Q1 '24 there is a 5.5% increase compared with the same quarter last year and a 1.3% increase compared with Q4 '23. This latest data brings the average increase for the past 4 quarters to 3.5%. The House Price Index (HPI) measures the price changes of all residential properties purchased by households, newly built and existing.

The **Construction Permits** issued in May 2024 in Romania decreased by 14.8% compared to April 2024 and recorded a decrease of 11.6% compared to May 2023 for residential buildings. 68% of the permits were for rural areas. For non-residential buildings, the number of permits recorded a decrease of 13.9% compared to April 2024 and a decrease of 20.1% compared to May 2023.

Construction Activities. April 2024 saw an increase in construction work volume. Compared to March 2024, the gross series showed a 10.3% increase, while the adjusted series, accounting for seasonality and working days, exhibited an 8.0% rise. This uptick was also evident when comparing April 2024 to April 2023, with the gross series up by 16.2% and the adjusted series by 13.1%. This growth is particularly noteworthy in the context of structure elements within construction. New construction works experienced a 4.3% increase from March 2024 and an 11.8% increase from April 2023. Capital repairs were up by 13.0% compared to March 2024 and 14.9% compared to April 2023. Maintenance and current repairs saw the most significant rise, with a 28.1% increase from the previous month and a 30.3% increase from the previous year.

The analysis by construction objects further illustrates the sector's performance. Residential buildings experienced a 15.3% increase compared to March 2024 and a 3.6% rise compared to April 2023. Non-residential buildings showed even stronger performance, with a 15.6% increase from March 2024 and an 18.5% increase from April 2023. Engineering works also contributed positively, with a 5.5% increase compared to the previous month and a substantial 21.4% increase compared to the previous year.

Despite the short-term growth, a year-to-date comparison reveals some challenges. The volume of construction works from January to April 2024 decreased slightly by 0.2% in the gross series and by 2.6% in the adjusted series compared to the same period in 2023. This decline is primarily driven by a reduction in new construction works, which fell by 3.0% in the gross series and 6.4% in the adjusted series. The residential buildings segment was particularly affected, showing a sharp decline of 23.6% in the gross series and 23.8% in the adjusted series. In contrast, non-residential buildings and engineering works exhibited growth, with increases of 4.3% and 11.2% in the gross series, respectively.

This divergent behavior (residential buildings down, non-residential buildings and engineering works exhibited - up) has more of a regulatory issue than a market demand shift.

Nearly Zero-Energy Building (NZEB) are defined as buildings that have a very high energy performance, with the nearly zero or very low amount of energy required being covered to a significant extent by energy from renewable sources produced on-site or nearby. By integrating renewable energy sources such as solar panels and geothermal systems, NZEBs contribute to reducing greenhouse gas emissions, aligning with the EU's climate goals. Despite higher initial costs, NZEBs offer long-term savings on energy bills, making them a financially sound investment in the long run.

As these requirements need to be implemented in all new construction, it explains the decrease in the new permits issued and the decrease in the new residential constructions. This will also push the House Price Index up in the following quarters despite the decreasing inflation rate.



Ioan Nistor

Chief Economist

” Mixed performance of the Residential, non-Residential, and Engineering works. House Price Index up 1.3% in EU and 5.5% in Romania compared with the same quarter of last year.