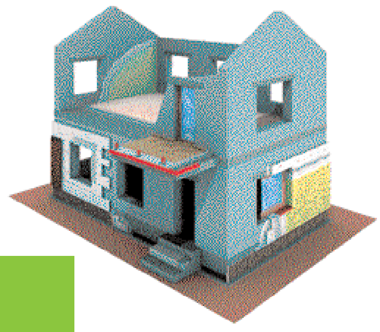
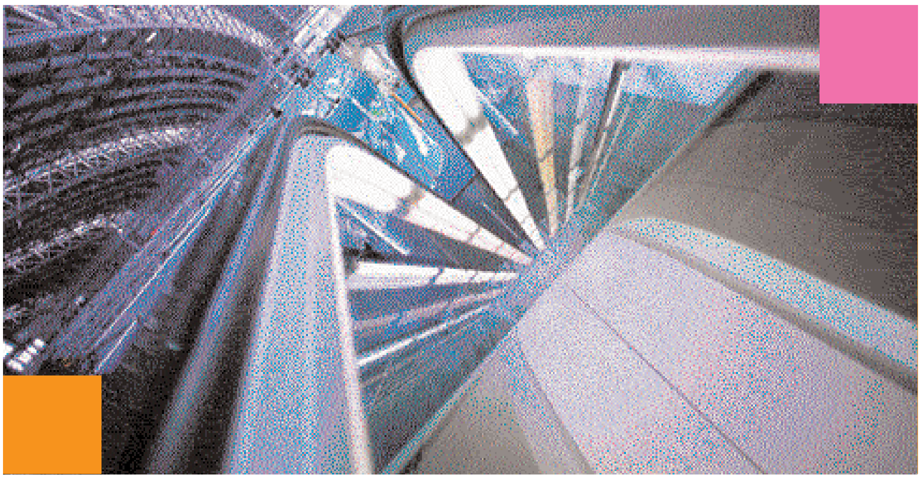
Czech Republic

CzechTrade

Building Industry





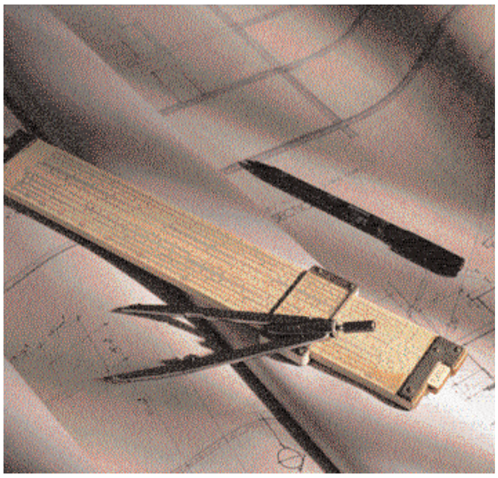
The building industry has experienced an unprecedented boom since 2000, generating a significant multiplier effect on the whole economy. The volume of building production has doubled over the last six years; the growth has been driven by both large infrastructure projects and housing construction. The building industry accounts for 7% of the GDP, which is comparable to EU countries. The intensity of construction in the Czech Republic in 2008 was 16.5% higher than the Western European average. In industrial and engineering production, the CR was ranked among the first third of the EU. The building industry employs approx. 9% of the workers in the civil sector, which is comparable to e.g. Germany, Austria and Switzerland. Costs of construction work still remain lower than in the European Union, slightly above 60%, mainly due to the lower costs of inputs. Lower costs and modern technologies make Czech building products competitive in the EU market as well as outside it. The high level of the Czech building sector has been further encouraged by a number of international groups, such as Skanska, Strabag, Hochtief and OHL, which recognized the potential of local players, engineers and suppliers of building materials and entered the market through acquisitions.

While one third of companies were making a loss in 2000, over 80% of companies have made a profit in the last few years. The most favourable indicators are recorded by companies with 100 to 300 employees specialised in building and engineering construction. New construction including reconstruction and renovation prevails, with a 75% share of the total construction volume.

Building production is primarily based on the production of building materials, mainly from domestic silicate raw materials. The highest share of building materials production comes from concrete, plaster, lime and cement products, accounting for over 40% of total production. Almost 80% of the Czech building material market is controlled by foreign multinational companies which can compete in the European market. The leading building material producers operating in the Czech market include Lasselsberger, Wienerberger, Tondach and Lafarge. Most production facilities are equipped with modern technologies enabling them to manufacture products without the human factor. A whole range of products are fully competitive in foreign markets. The share of exports in total production is approx. 26.2% and the balance of foreign trade is constantly positive. Most exports go to the EU countries, Germany and Austria in particular. Facing material, sanitary products, ceramic kaolin, roofing material, plasterboard as well as prefabricated steel concrete structures are the most successful export products. The production of building components and sub-deliveries, such as sanitary products, water supply-related projects and other specialised construction technologies are some of the most promising segments of the industry.

Czech construction companies are skilled and experienced in technically greatly demanding construction projects requiring high quality; they have realised a number of projects in the CR and abroad. Due to its excellent technical education at a large number of technical universities spread all over the country, the Czech Republic has a sufficient number of professional engineers and architects as well as qualified craft workers capable of decision-making and improvising. The construction companies have adopted the latest technologies and are equipped with the latest machinery and equipment. They are able to quickly respond to changing conditions in demand and production. Work productivity is comparable to foreign companies with lower labour costs in comparison with other EU member states. Czech companies also profit from their closer ties with the Eastern European economies, the Russian market in particular, and the availability of raw materials. The Czech Republic is one of the leading producers of certain raw materials such as kaolin, feldspar and bentonite.

The building industry will remain the core industry of the Czech economy. The demand for building production is expected to grow, primarily due to



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projected engineering construction such as motorways, large commercial, logistic and administrative centres financed by foreign investors as well as anticipated housing construction supported by low-credit mortgage loans from the building societies. The Czech Republic has clearly defined its future requirements as far as the volume and the structure of construction is concerned. The structure of the building industry is expected to be kept. Construction of energy complexes, mainly nuclear power plants and smaller-sized local sources, has been increasing. Construction of gas reservoirs and pipelines should also bring more building work. Construction related to climate and weather changes as well as the protection of the environment is also one of the promising segments of the building industry. Energy-efficient construction and the protection of cultural heritage will be supported in compliance with EU objectives.

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