



Market outlook in 2019

Between consolidation of the recovery and risks of financial crisis

Carminé Garzia

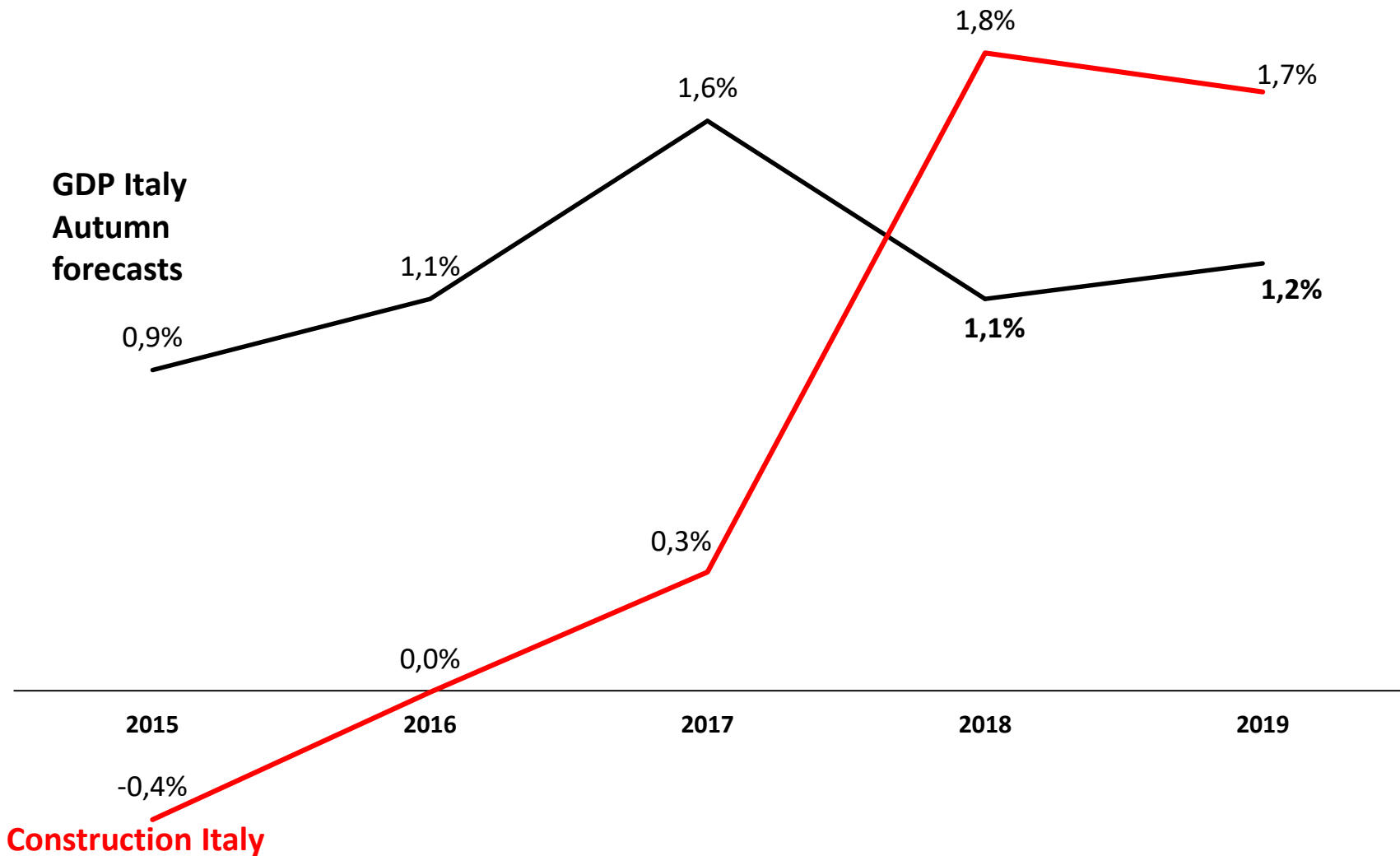
UNICMI Economic Studies Office

Milan, 23 November 2018

The construction market shows
clear signs of consolidation of the recovery

Investment trends in the construction sector

GDP Italy
Autumn
forecasts



1.5%

Construction Italy

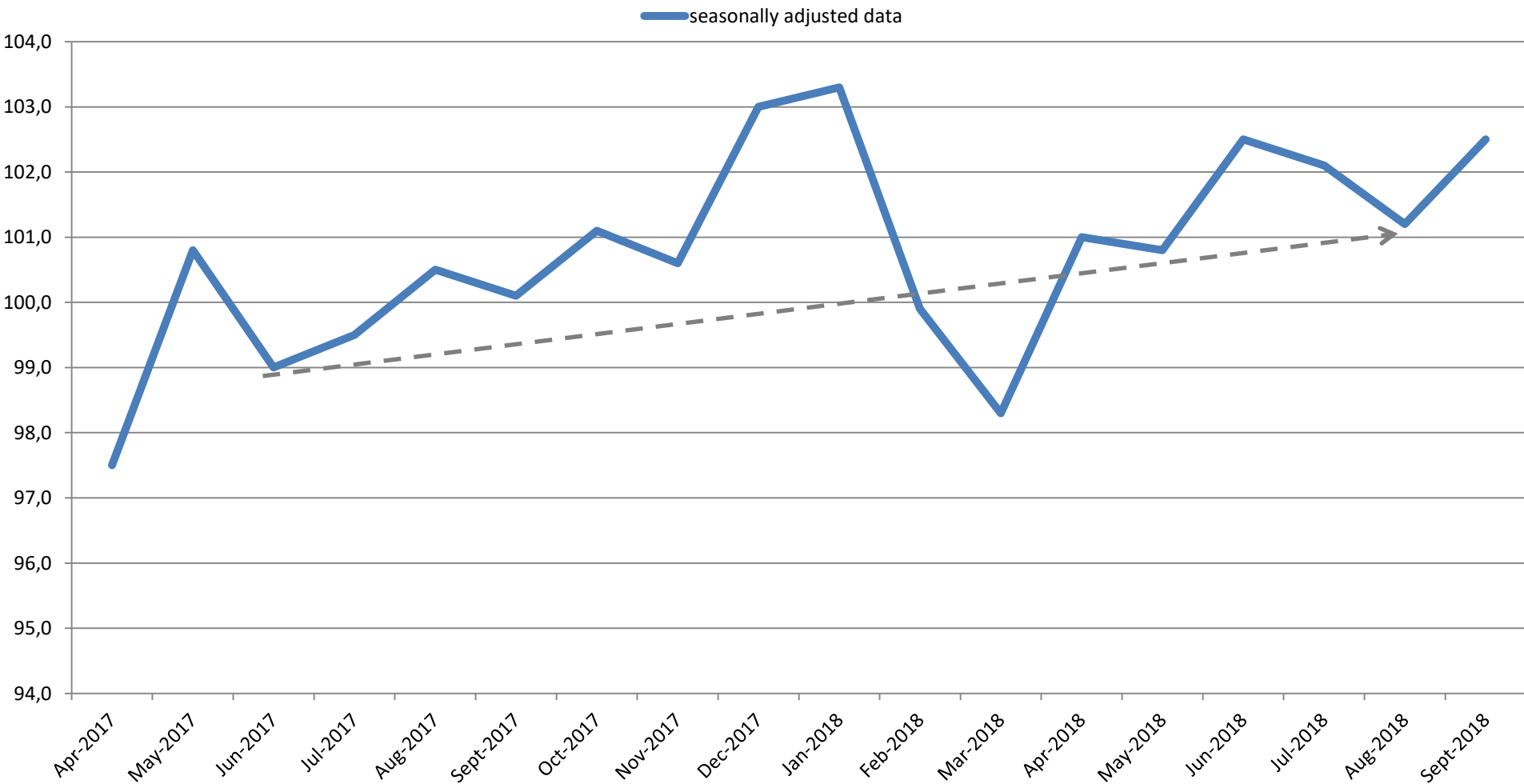


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Elaborated on EUROCONSTRUCT, ISTAT, GDP 2018, 2019 from European Commission estimates, June 2018

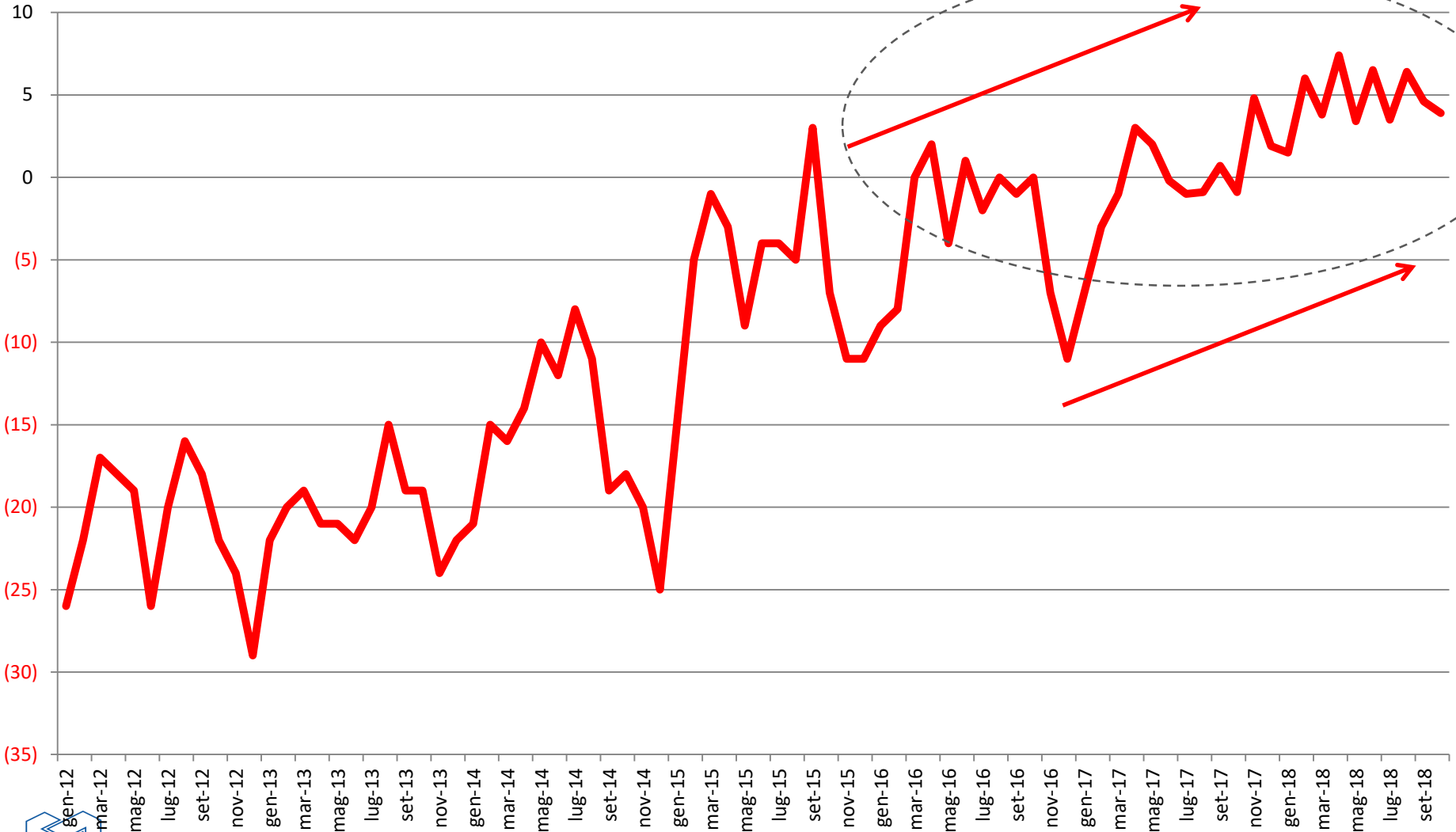
Trends and prospects in the construction sector

CONSTRUCTION PRODUCTION INDEX (base 2015)



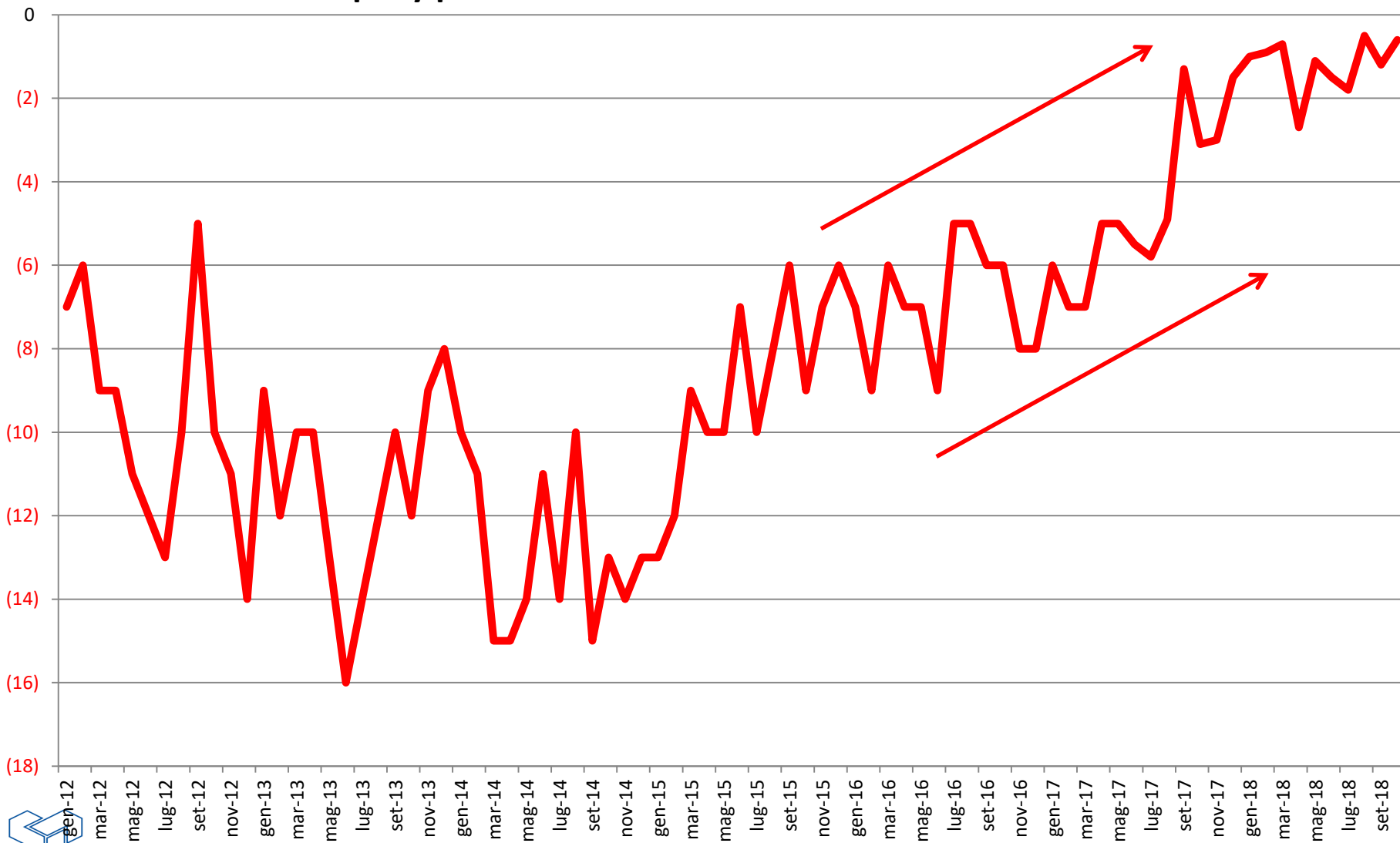
Trends and prospects in the construction sector

Order trend over the next three months - balance



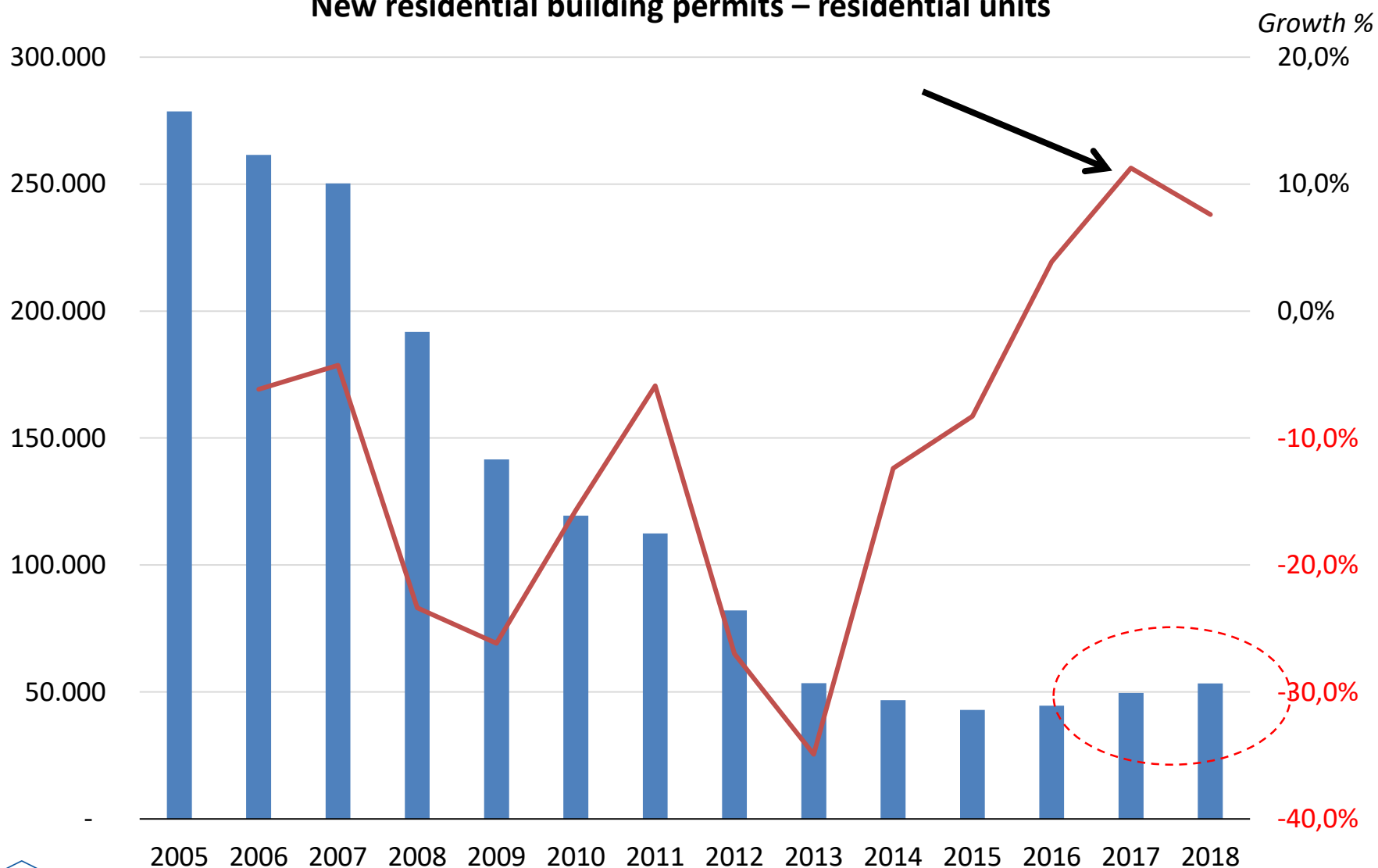
Trends and prospects in the construction sector

Company price trend over the next three months - balance



Trends and prospects in the construction sector

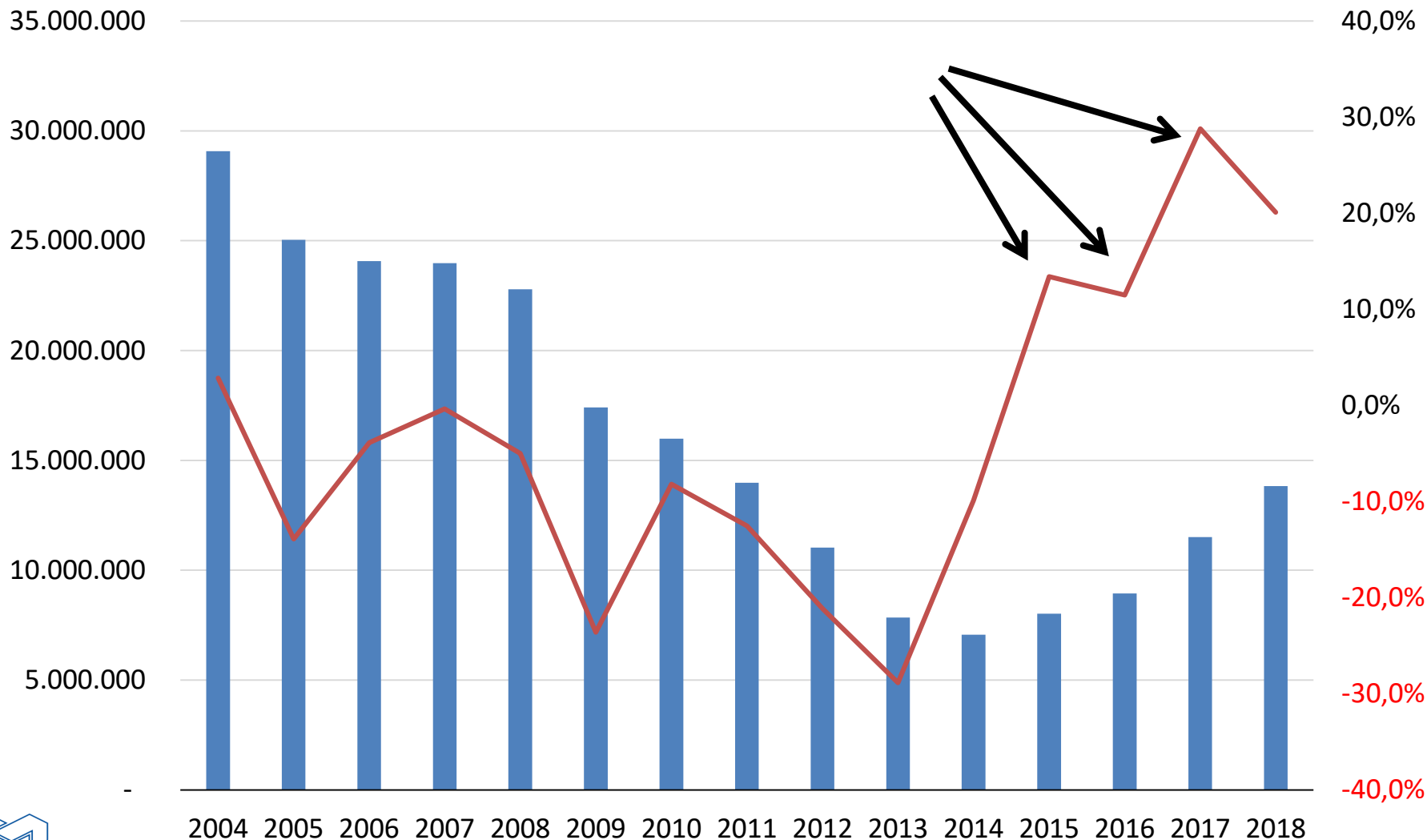
New residential building permits – residential units



Trends and prospects in the construction sector

New non-residential building permits 000 sqm

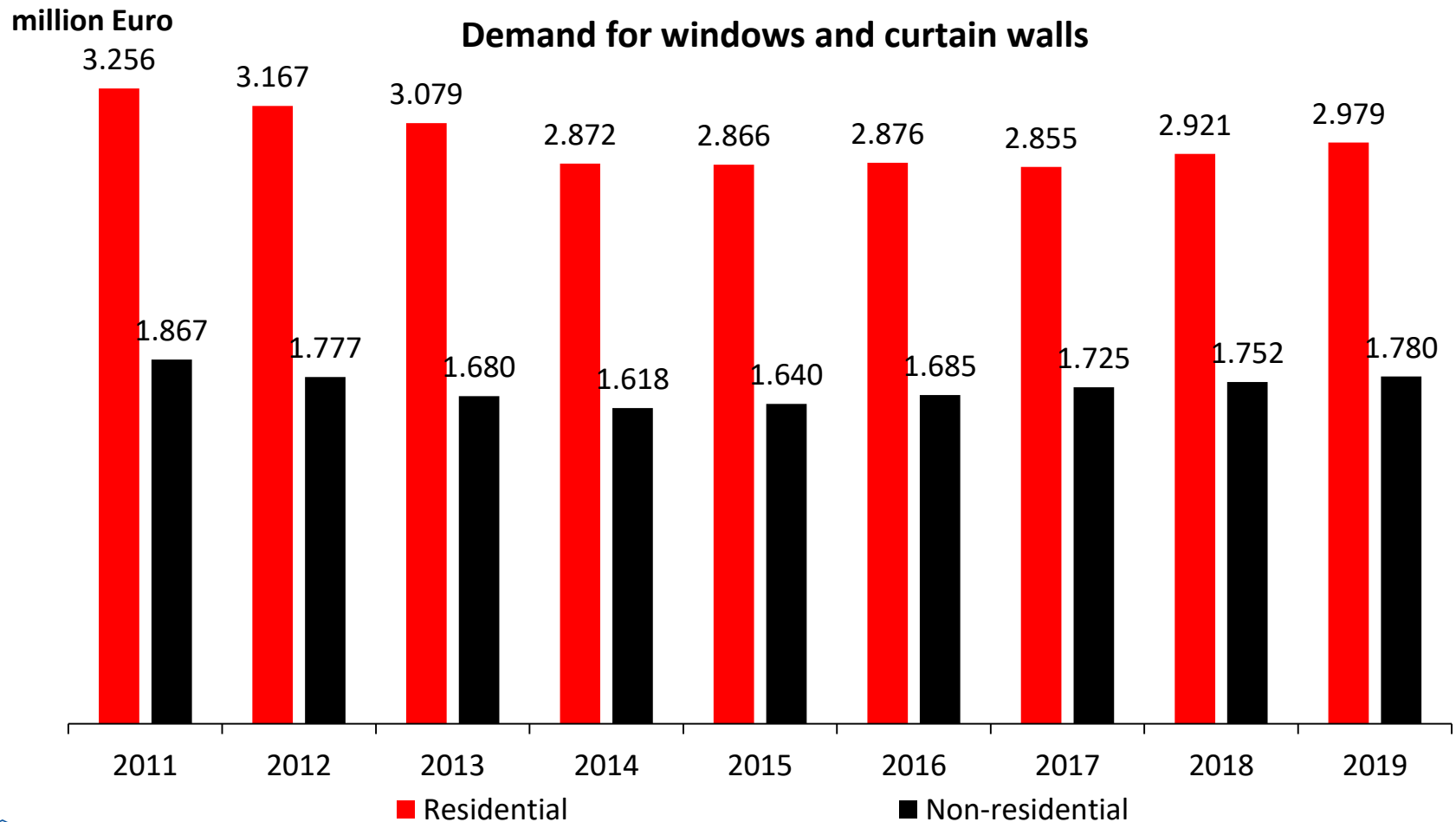
Growth %



The market for windows, doors, curtain walls and metal constructions is experiencing a growth trend expected to last throughout the next two years.

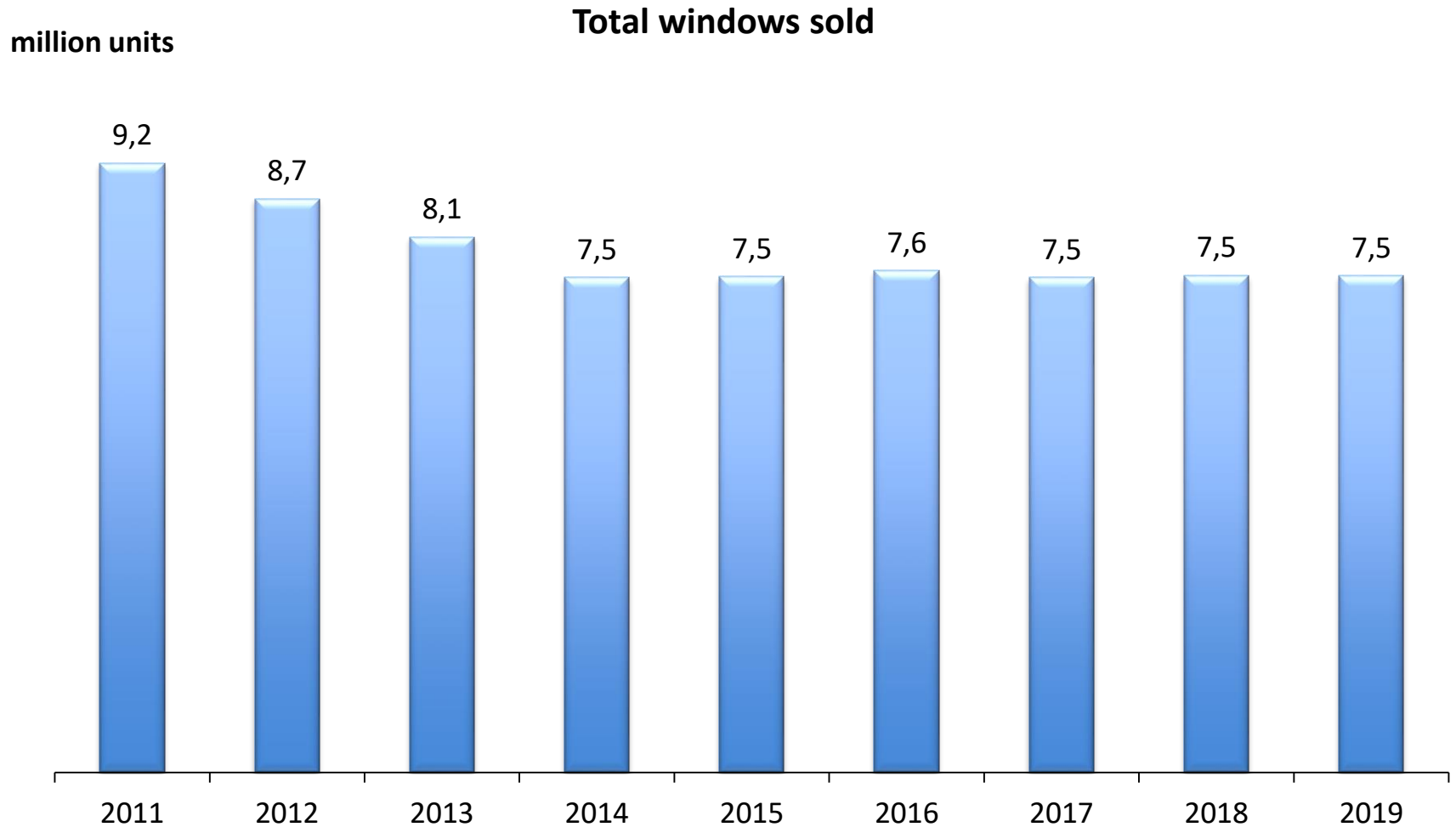
Evolution of demand. Windows and curtain walls

Demand for windows and curtain walls **grew by around 100 million in 2018 and will grow by more than 100 million in 2019***.



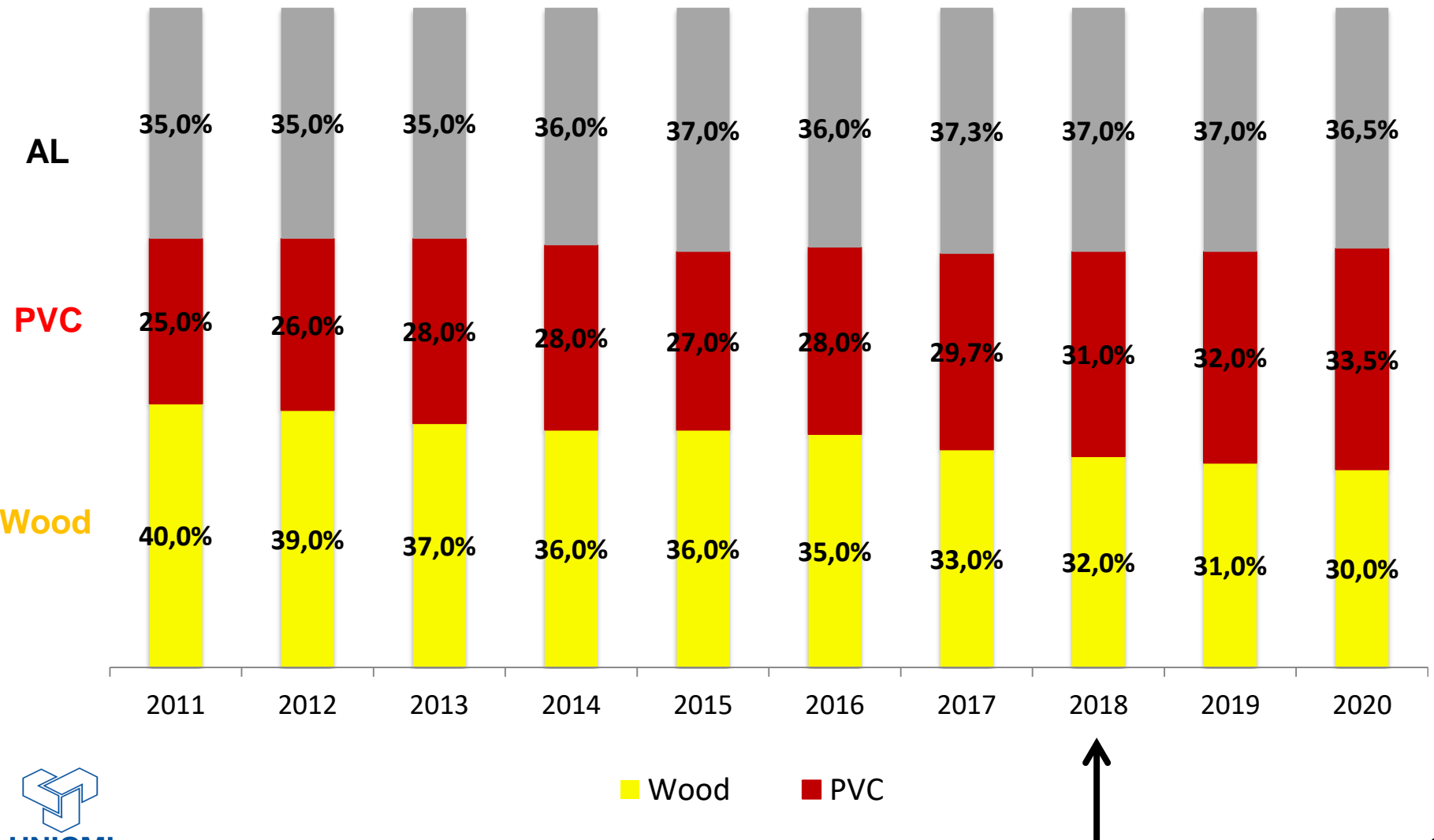
UNICMI elaborations on ISTAT data; 2018, 2019, 2020 projections

Evolution of demand. Windows and curtain walls



Evolution of demand. Windows and curtain walls

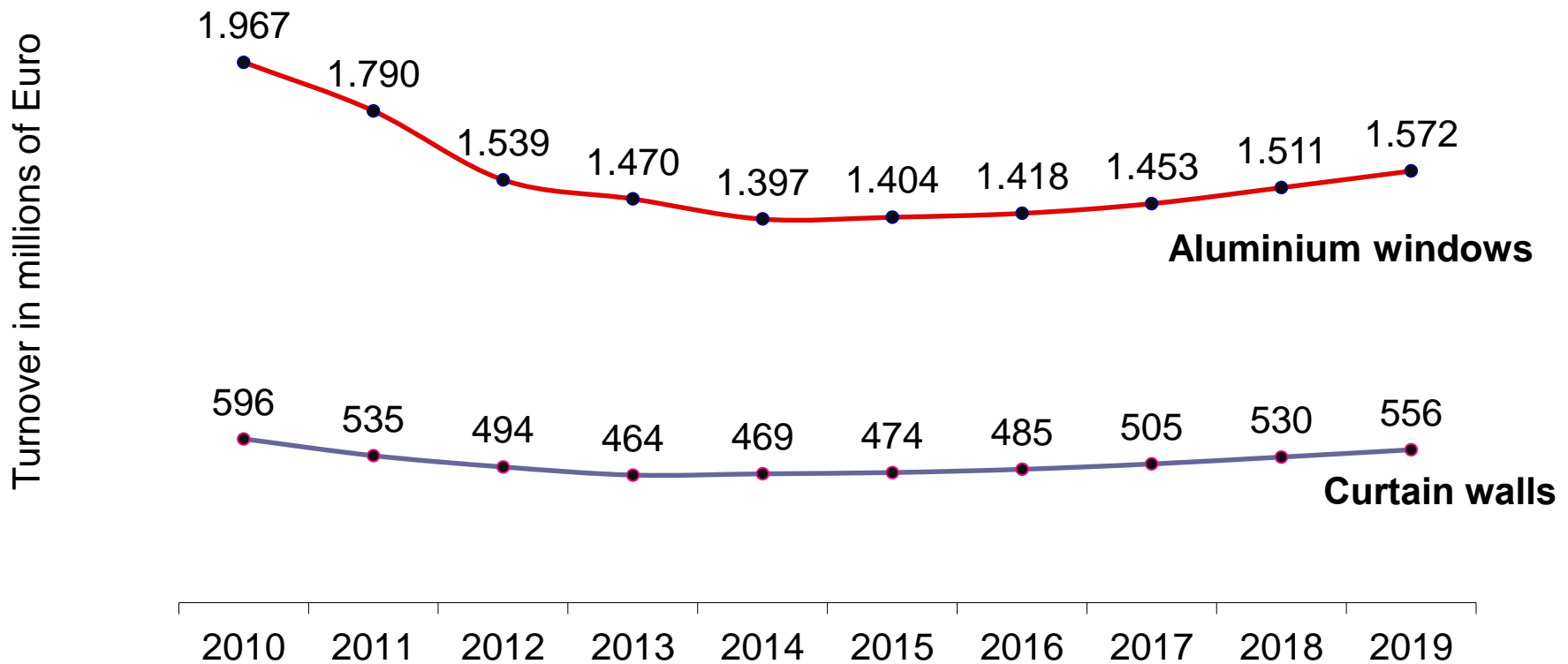
Evolution of market shares of window and door materials by value



Elaborations UNICMI; 2018, 2019, projections

Evolution of demand. Metal windows and curtain walls

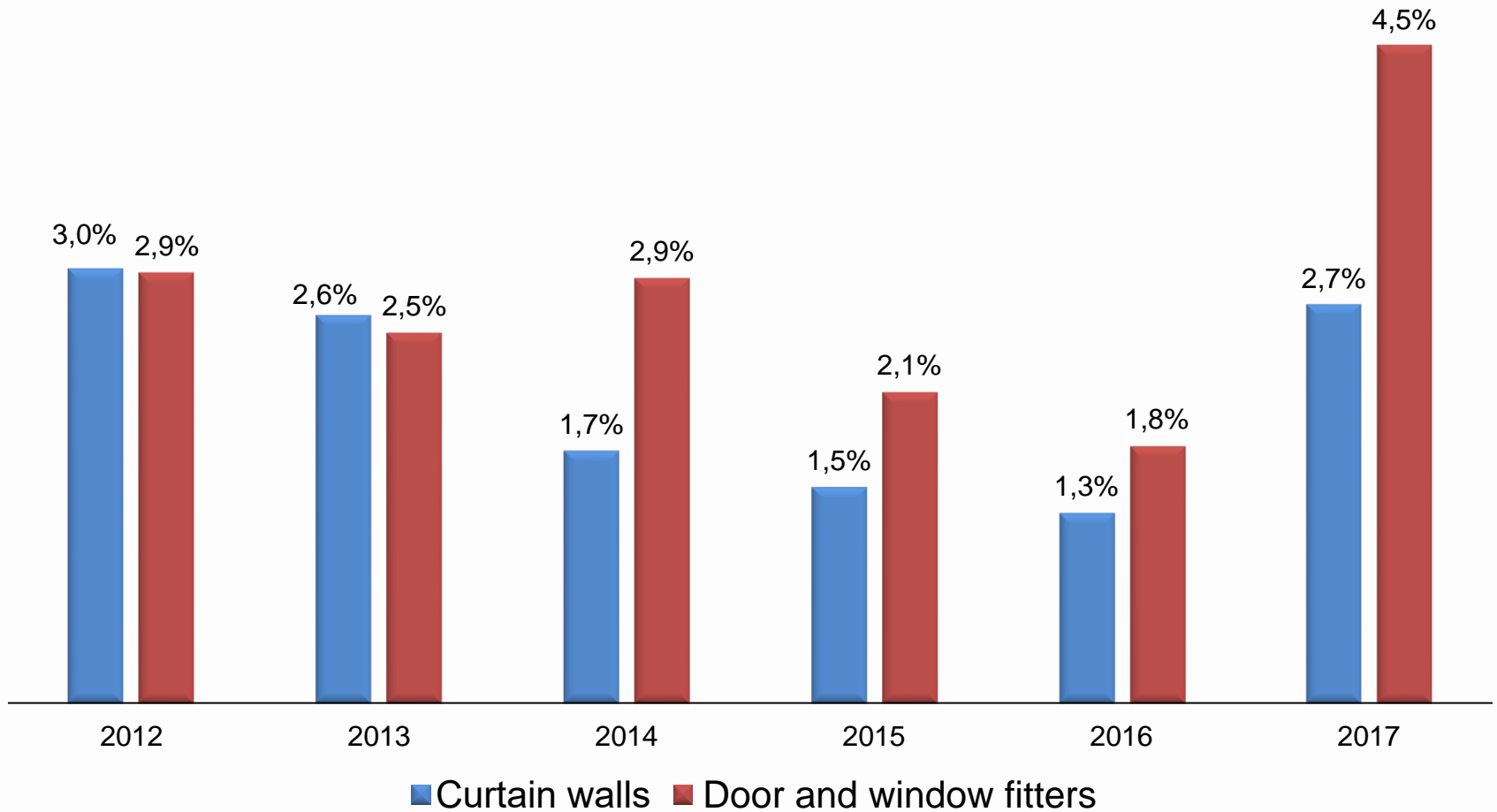
Trend in demand for metal windows and doors and facades (millions of Euros)



Building envelope companies show clear signs of improved economic performance

Business performance. Profitability

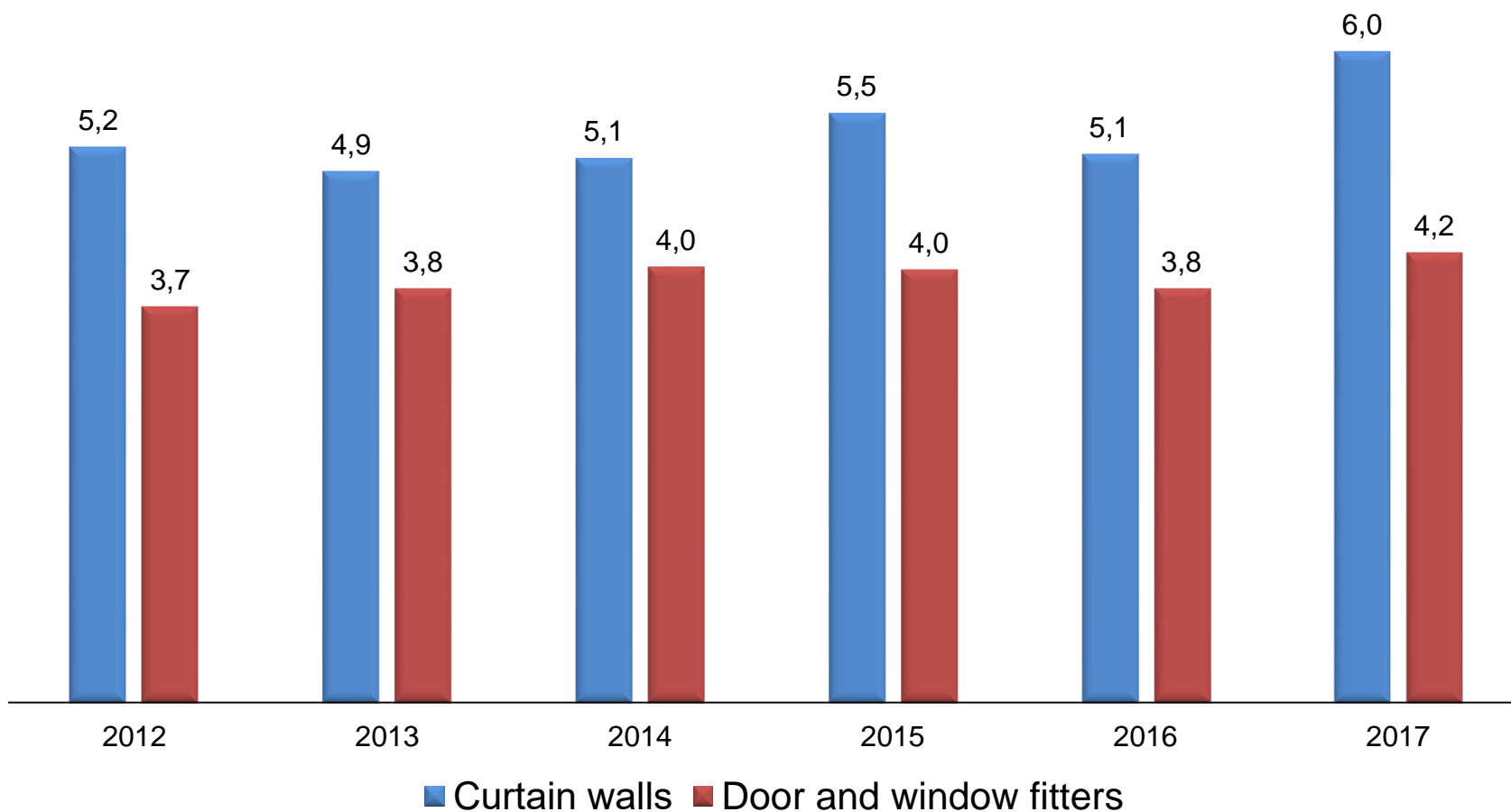
Sales profitability (ROS)



The performance of enterprises. Financial structure

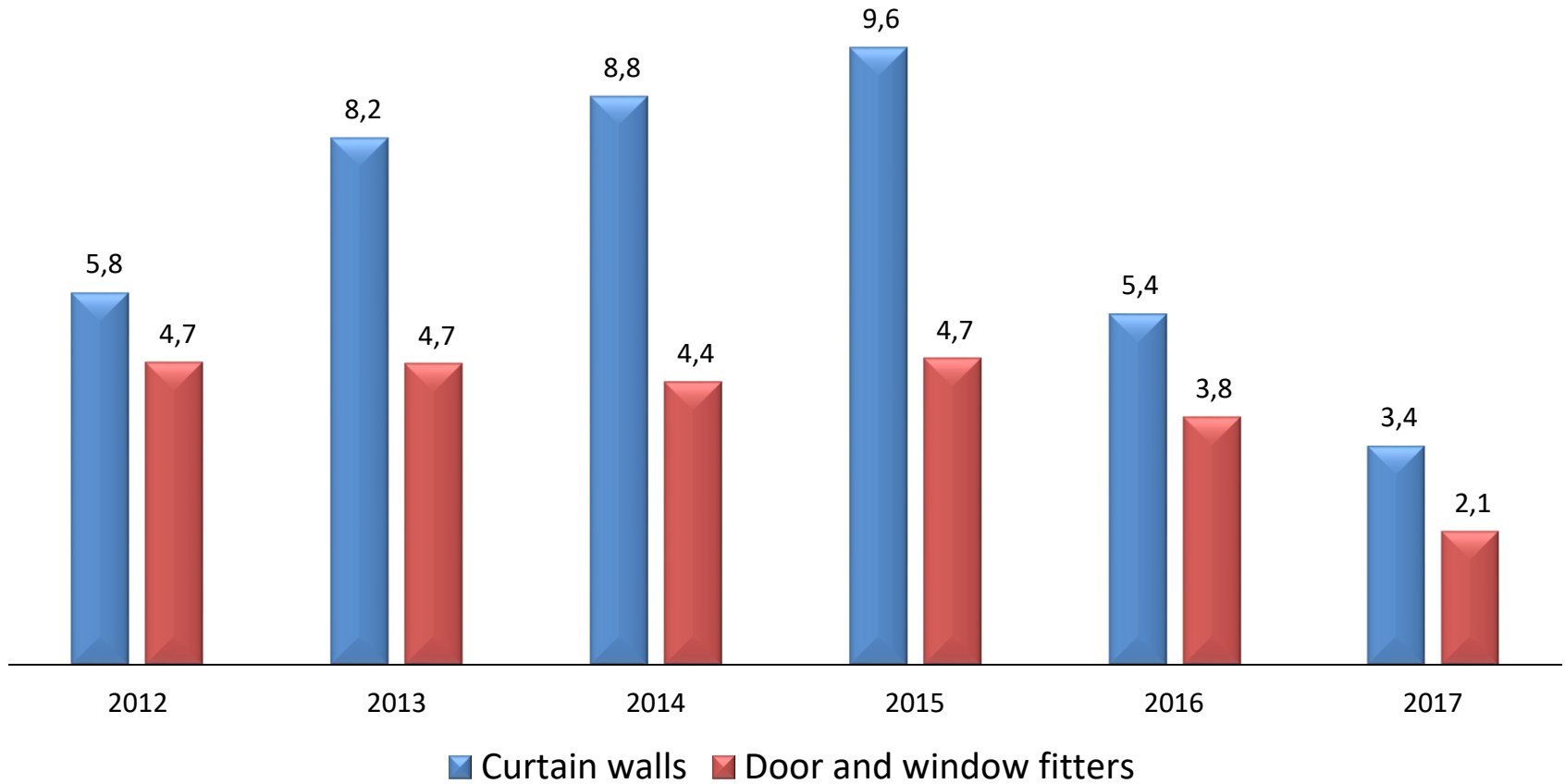
Italian corporate debt ratio (2017): 2.45*.

Initial Debt rate



The performance of enterprises. Financial structure

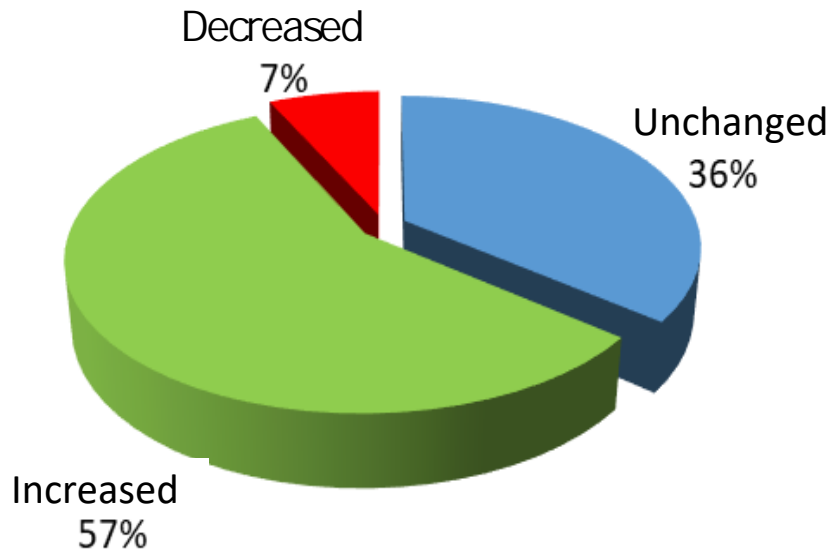
Net Financial Position/EBITDA



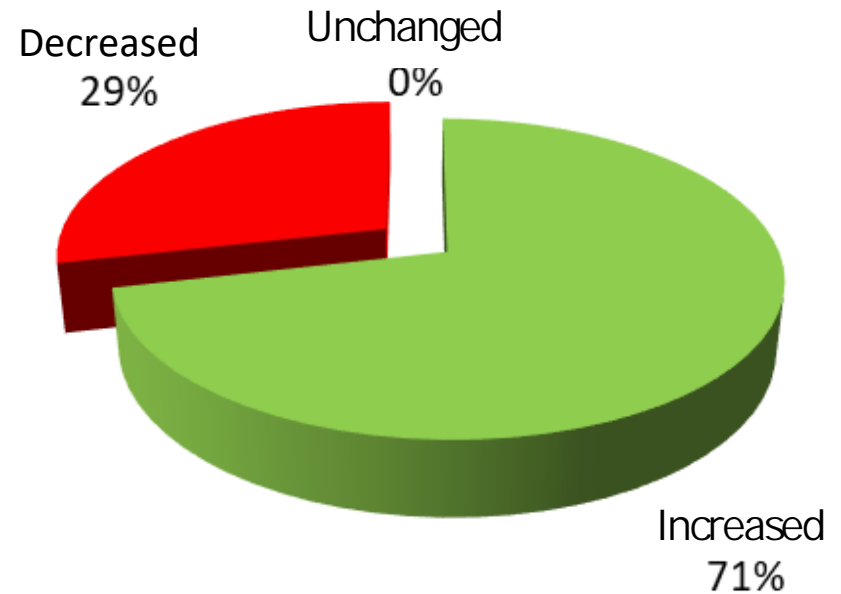
Performance of companies. Trends in orders taken

Portfolio development

Window Manufacturers

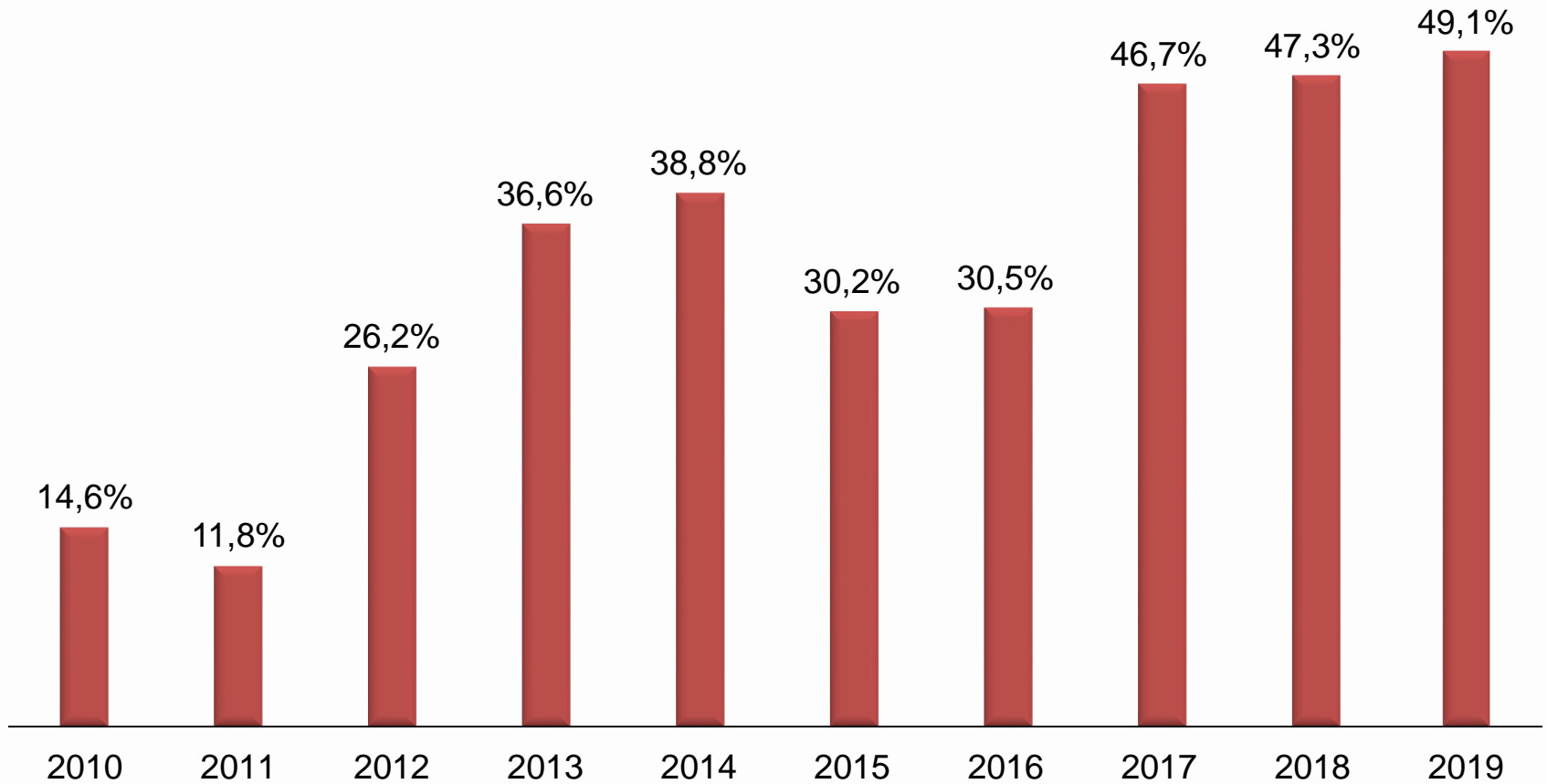


Curtain walls



Company performance. Export trends of facade manufacturers

Share of factored exports



UNICMI elaborations, 2018 and 2019 estimated data

The pitfalls for the recovery come first and foremost from the unstable macroeconomic scenario.

The macroeconomic scenario. Effects on the construction sector

The carousel of forecasts...

GDP (European Commission)*	2018	2019
Spring	1,5%	1,2%
Summer	1,3%	1,1%
Autumn	1,1%	1,2%

CONSTRUCTION SECTOR**	2018	2019
Prometeia	1,3%	1,8%
CSC	1,6%	1,8%
Euroconstruct	2,1%	1,8%
ANCE	2,4%	N.R.
UNICMI	1,8%	1,7%

Real growth **Nominal growth

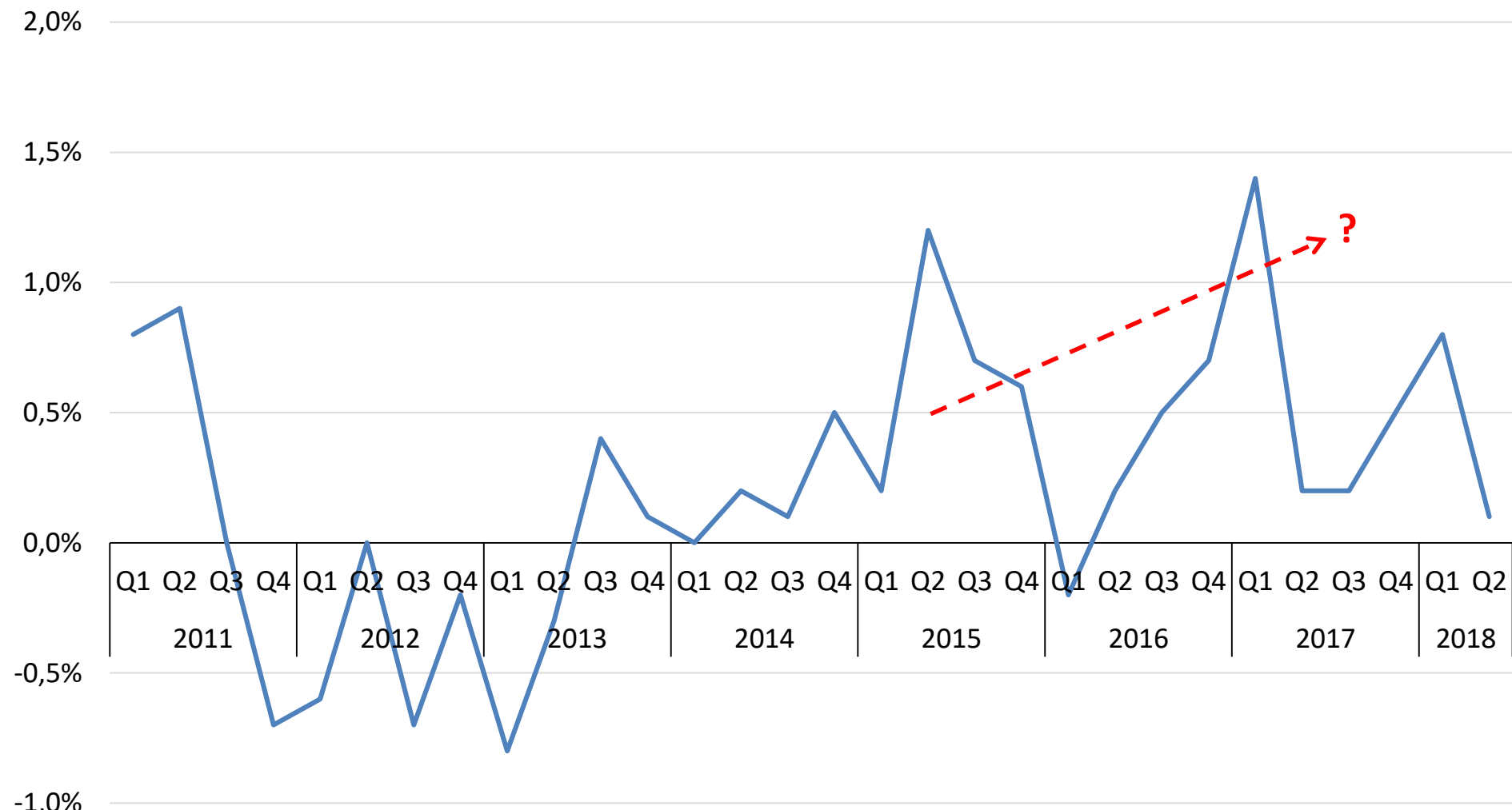
The macroeconomic scenario

Spread trends and cost of debt



The macroeconomic scenario Italian household consumption

Household expenditure on final consumption



The macroeconomic scenario

Performance of the FTSE MIB Index



The macroeconomic scenario. EFFECTS of financial tensions

Effects of financial crisis risks, generated by the **cost of public debt**:

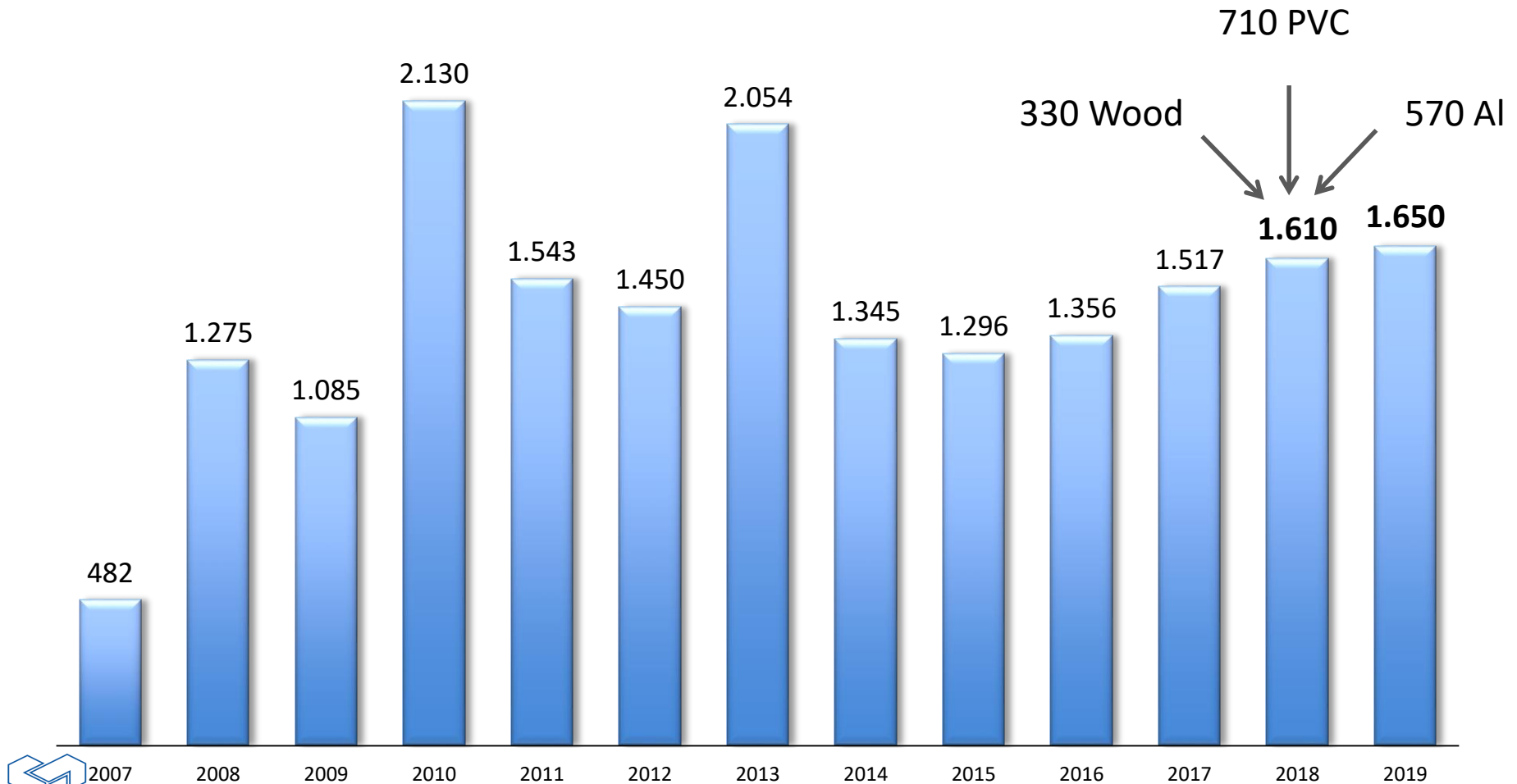
- Increased cost of debt for companies resulting in a **crisis in the construction sector, and in particular in the service sector**
- Rising cost of mortgages for households resulting in a **slowdown of the residential construction sector**
- General economic crisis (as in 2011-2012) with **contraction of consumption**, including property maintenance

A second critical element is tax incentives worth more than €1.6 billion, accounting for 54% of the demand for windows and doors in the residential sector.

The impact of tax incentives on demand for windows and doors

Demand for windows and doors generated by tax incentives (millions Euro)

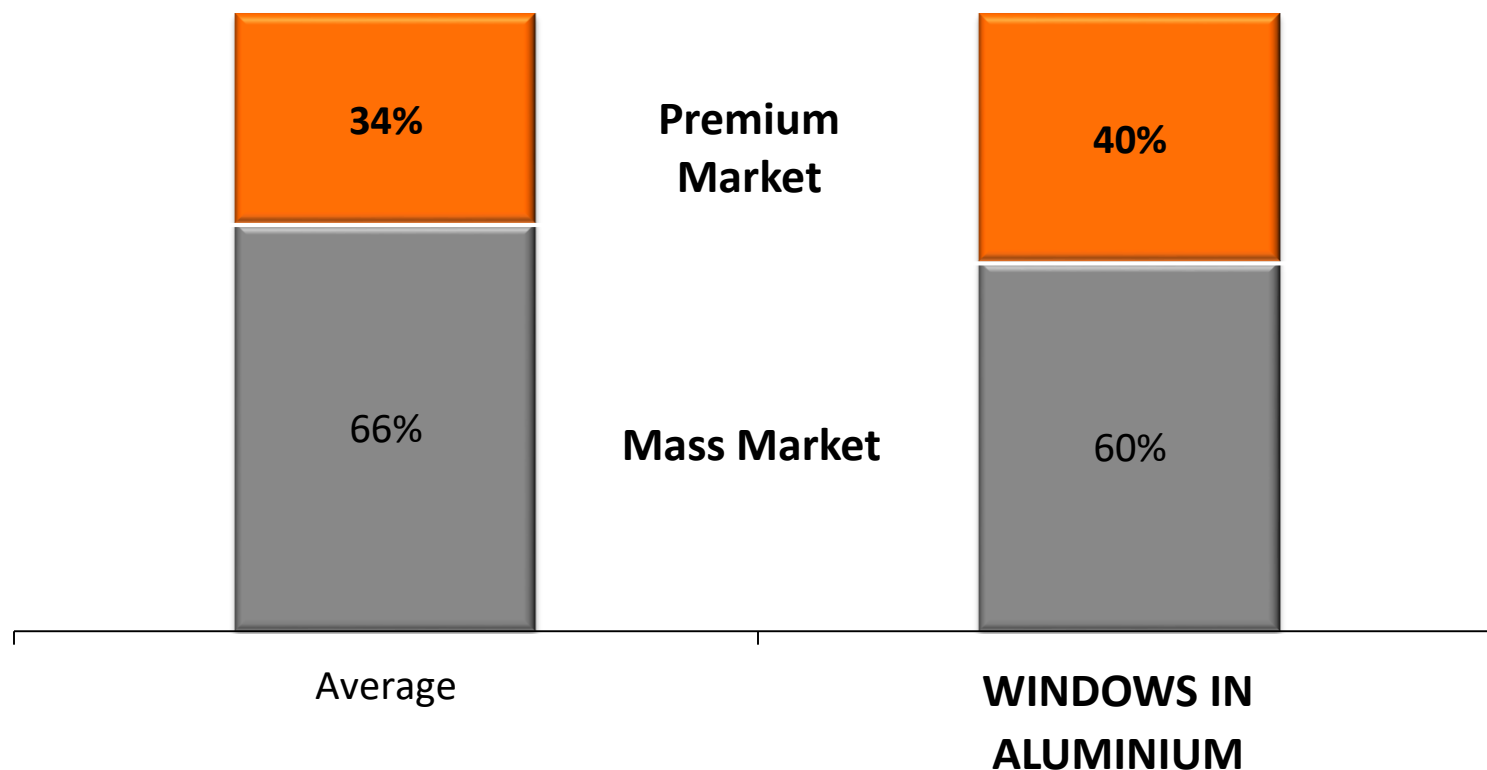
Average value of intervention (2017): **7,700 Euro**



The impact of tax incentives on demand for windows and doors

In order to understand the impact of incentives, one must **segmenting the window replacement market**

Premium: price > 500 Euro sqm with installation, no VAT

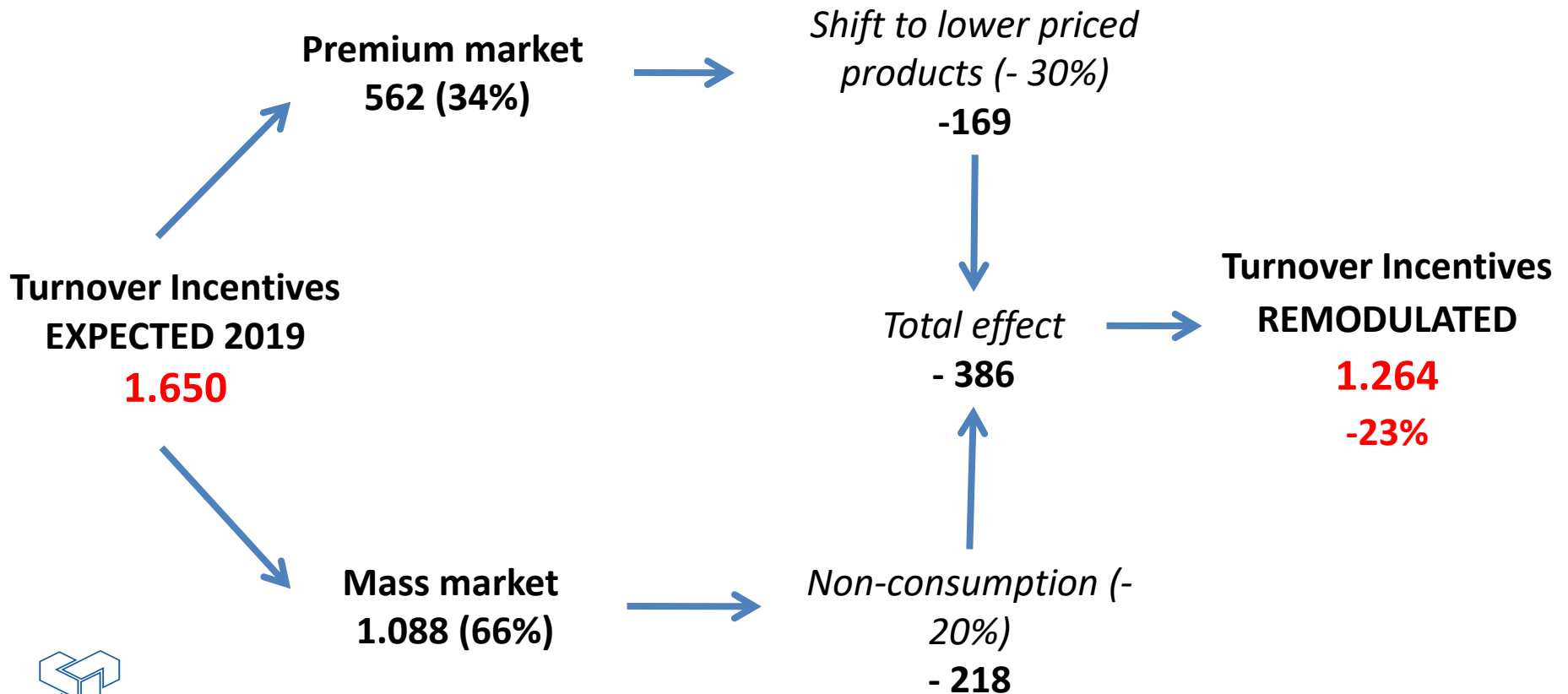


The impact of tax incentives on demand for windows and doors

Prices per square metre, window installed. VAT excl.

Maximum proposed deduction per MQ:	370 Euro
Current price per sqm - Estimated on ENEA data:	700 Euro

Amounts in millions of Euros





This report was written by Carmine Garzia on the basis of data processed by the Economic Studies Office of UNICMI - Unione Nazionale delle Industrie delle Costruzioni Metalliche dell'Involucro e dei Serramenti.

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