

GSB NEWS
11.02.2022



Dear members of the GSB,

it's time again for a NEWS about the economy and the construction industry.

As always, we wish you a pleasant read.

Your GSB Team



Economic Outlook

One thing is certain. For anyone who has to make decisions based on the economic situation, clicking on the business news of their favorite news portal not infrequently triggers a feeling of discomfort. Uncertainty is currently very high and from time to time it is even difficult to maintain an overview.

For many products and services, a shift from a buyer's market to a seller's market can be observed. Due to the excess demand existing in many areas - for example, in overseas transport or semiconductors - suppliers enjoy quite a lot of freedom when it comes to pricing.

Demands for higher wages may be the result of the current high inflation rates, which may lead to a wage-price spiral. Furthermore, the position of skilled workers in salary negotiations can be described as very strong due to the shortage of skilled workers (Beljaars, 2022).

The energy market is also extremely important for the coatings industry, and here in particular the price increases are enormous. In addition, there is the Ukraine conflict.

In a government press conference on January 26, 2022, the Federal Foreign Office of Germany explained that there were no indications that Russia would not fulfill its gas supply contracts. This statement was made in response to a question indicating a possible misuse of the supply contracts as a means of political pressure by the Russian government. For the sake of neutrality, we leave the interpretation of this matter to all readers (Federal Foreign Office of Germany, 2022).

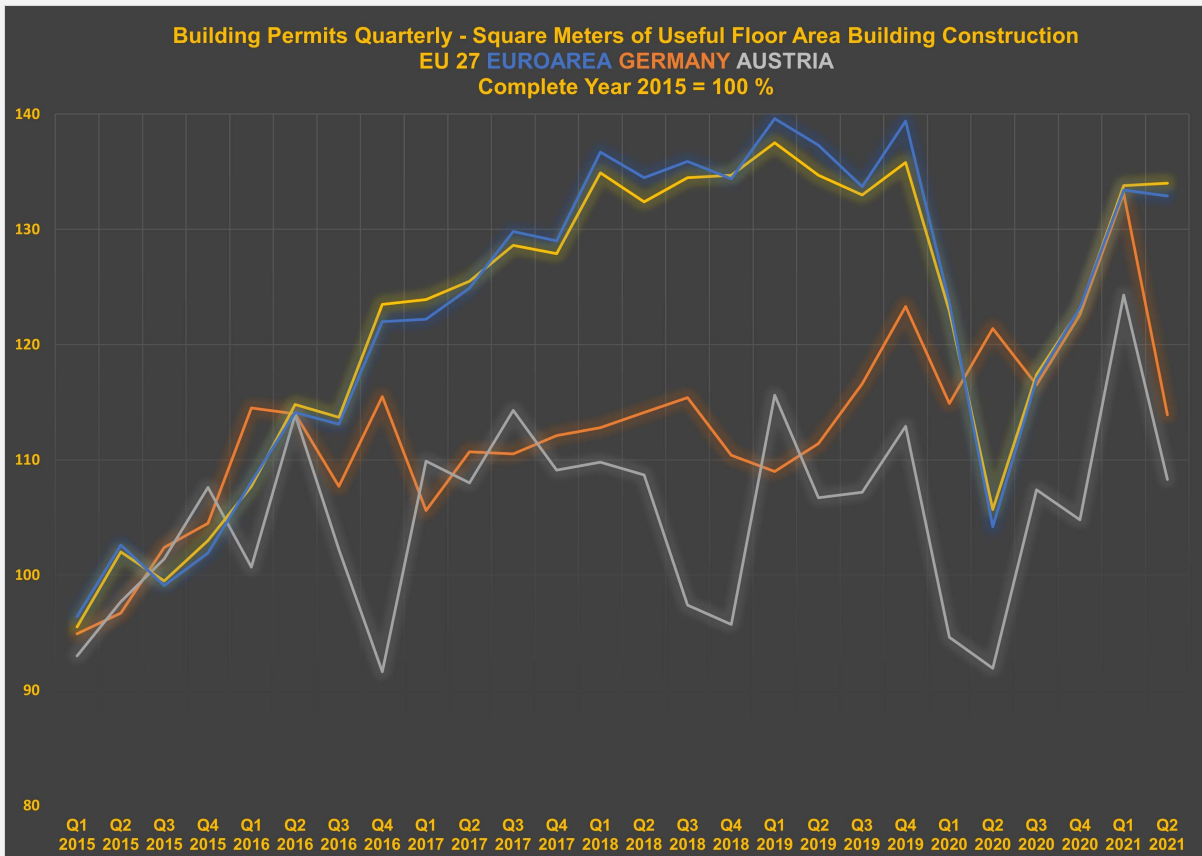
But despite all the imponderables, there are also positive things to report. We regularly look at the statistics on building permits measured in terms of square meters of useful floor area approved in building construction. These figures can best serve as an indicator of the future order situation for coatings themselves, because it can be assumed as a tendency that with more square meters of floor space, more square meters of coated aluminum and coated steel will also be required.

Of course, other factors also play a role here, such as trends affecting the materials used. A desired dream would be statistics containing only future coating orders - divided into coating of aluminum, steel and galvanized steel. Unfortunately, however, there are simply no statistics on this and so one is forced to work with data on markets that can at least be used as indicators for the desired target figure - in our case, approved square meters of useful floor area in building

construction. (cf. also GSB NEWS issue 23.2.2021)

As can be seen from the graph shown here, the curves of the EU (27) and the euro area show a very similar pattern. At the beginning of the pandemic, there was a significant drop, which was followed by a quick recovery. In relation to Germany and Austria, peaks can be seen in Q1 2021. Overall, the situation of approved square meters of usable space can be described as good.

In the medium term, therefore, it can be assumed that the challenge will be to process orders at acceptable profit margins - take price increases into account here - rather than to fill the order books themselves.



EUROAREA Q2 2021, EU 27 Q1 and Q2 2021 as well as GER and AT total= EUROSTAT Estimate; Seasonally and calendar-adjusted data

Own illustration based on European Commission (2022).

Federal Foreign Office of Germany. (2022). Erklärungen des Auswärtigen Amtes in der Regierungspressekonferenz vom 26.01.2022. <https://www.auswaertiges-amt.de/de/newsroom/regierungspressekonferenz/2508616> [04.02.2022]

Beljaars, W. (2022, Feb.). GSB International - Beitrag zur Konjunkturumfrage 2022. Aluminium Praxis. Zeitung für Bearbeitung und Anwendung, 27(1-2), 7.

European Commission. (2022). Building permits - quarterly data. Adjusted dataset. [Filter varied for data download]. Abgerufen von: https://ec.europa.eu/eurostat/databrowser/view/STS_COBP_Q__custom_2032193/default/table [04.02.2022]

Technology

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