

Construction Industry Mood Down in Q1

By [The Moscow Times](#)

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Optimism in the construction industry continued to decline through the first quarter of 2014, according to an analysis by the Higher School of Economics of a Federal Statistics Service survey.

The survey, which polled more than 6,000 firms, indicated declining financial security, credit financing and investment among construction companies. Construction company directors, however, continued to report that their businesses remained profitable.

The main reason for the worsening view of the business climate was the decline in new building contracts. The average company had an average of six months of contract work, while 30 percent had contracts for only one to three months of work.

The price of construction materials has also risen, and 24 percent of company directors say that this is a factor negatively impacting their business. A full 68 percent of those surveyed predicted that the price of building materials would continue to go up in the next financial quarter. Prices for finished projects are also rising. Just more than half of construction

companies have increased their prices, and 53 percent intend to raise prices even higher in the future.

The slowdown in construction is due to low demand from commercial firms, government agencies, and the population as a whole, the Higher School of Economics said.

The Russian economy's stagnation forced many commercial customers to not only halt new construction but also freeze projects already under development. Government agencies, another important source of construction work, have not started any major projects outside of Moscow. Residential construction, meanwhile, has seen little growth due to monopolization that keeps prices high and building standards low, according to the analysis.

The decline in construction demand, however, did not have a substantial effect on the labor market. Twenty-one percent of surveyed businesses reported that they did not have enough specialist workers. The Higher School of Economics added, though, that businesses in better financial shape typically did not complain about a lack of qualified workers. No margin of error was given for the survey.

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