

**Technology Industries of Finland**



# **COVID-19: Impact on the engineering and construction sector in FINLAND**

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CEO, Finnish Association of Consulting Engineering Firms SKOL ry

**RINORD Webinar on the 5<sup>th</sup> May 2020**



**Market was already slowing down in Finland before COVID-19 crisis.**

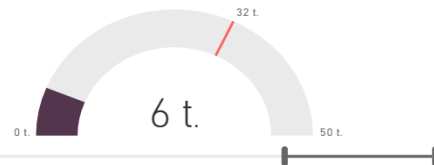
**Productivity development has been stagnant and net profit has stayed below 5 % in CE industries.**

# Residential housing construction:

## New projects and building permits have a downward trend since last summer

# Raksu

2020 - asuntoaloitukset ja Raksun vuosiennuste

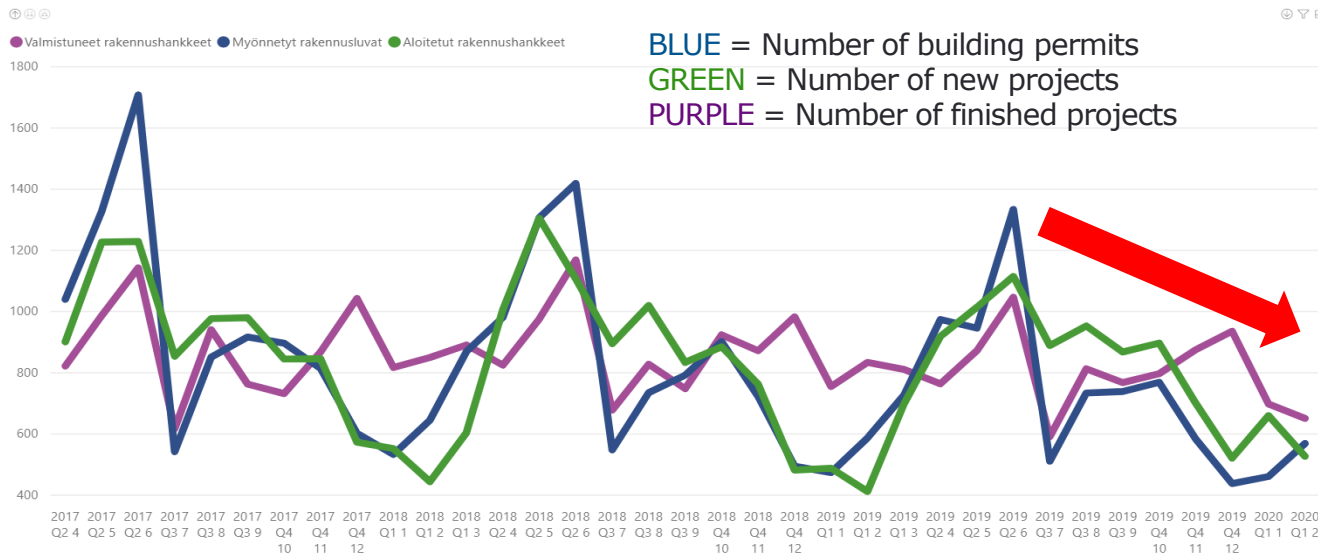


3.3.2017 1.2.2020

Tieto

- Asunnot (kpl)
- Hankkeet (kpl)
- Kerrosala (m2)
- Tilavuus (m3)

- 01 Asuinrakennukset
- 011 Pientalot
- 012 Kerrostalot
- 013 Asuntolarakennukset
- 014 Erityisryhmien asuinrakennukset
- 02 Vapaa-ajan asuinrakennukset
- 02-19 Muut kuin asuinrakennukset
- 03 Liikerakennukset
- 03-05 Liike- ja toimistorakennukset
- 04 Toimistorakennukset
- 05 Liikenteen rakennukset
- 06 Hoitoalan rakennukset
- 06-08, 13 Julkiset palvelurakennukset
- 07 Kokoon-tumisrakennukset
- 08 Opetusrakennukset
- 09 Teollisuuden ja kaivannaistoimien...
- 09-12 Teollisuus- ja varastorakenn...
- 10 Energiahuoltorakennukset
- 11 Yhdyskuntatekniikan rakennus...
- 12 Varastorakennukset
- 13 Pelastustoimen rakennukset
- 14 Maatalousrakennukset ja eläins...



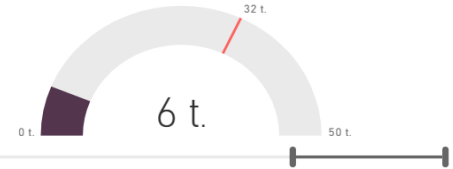
# Public Buildings:

## New projects and building permits have a downward trend since last summer

# Raksu

Rakennustuotanto ilman kumuloituvia summia

2020 - asuntoaloitukset ja Raksun vuosiennuste



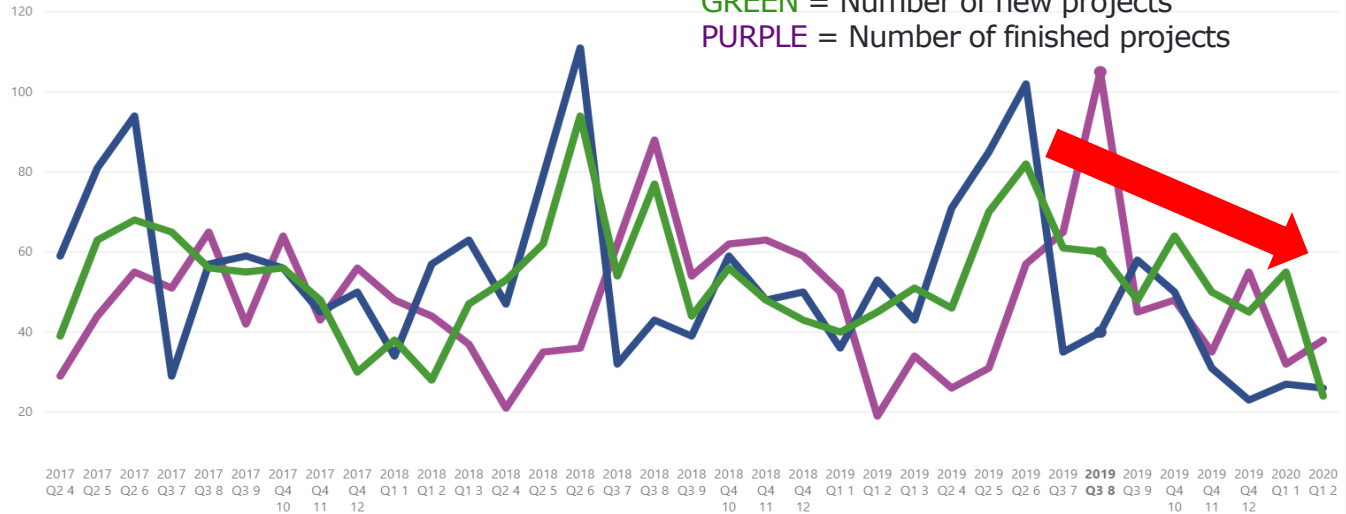
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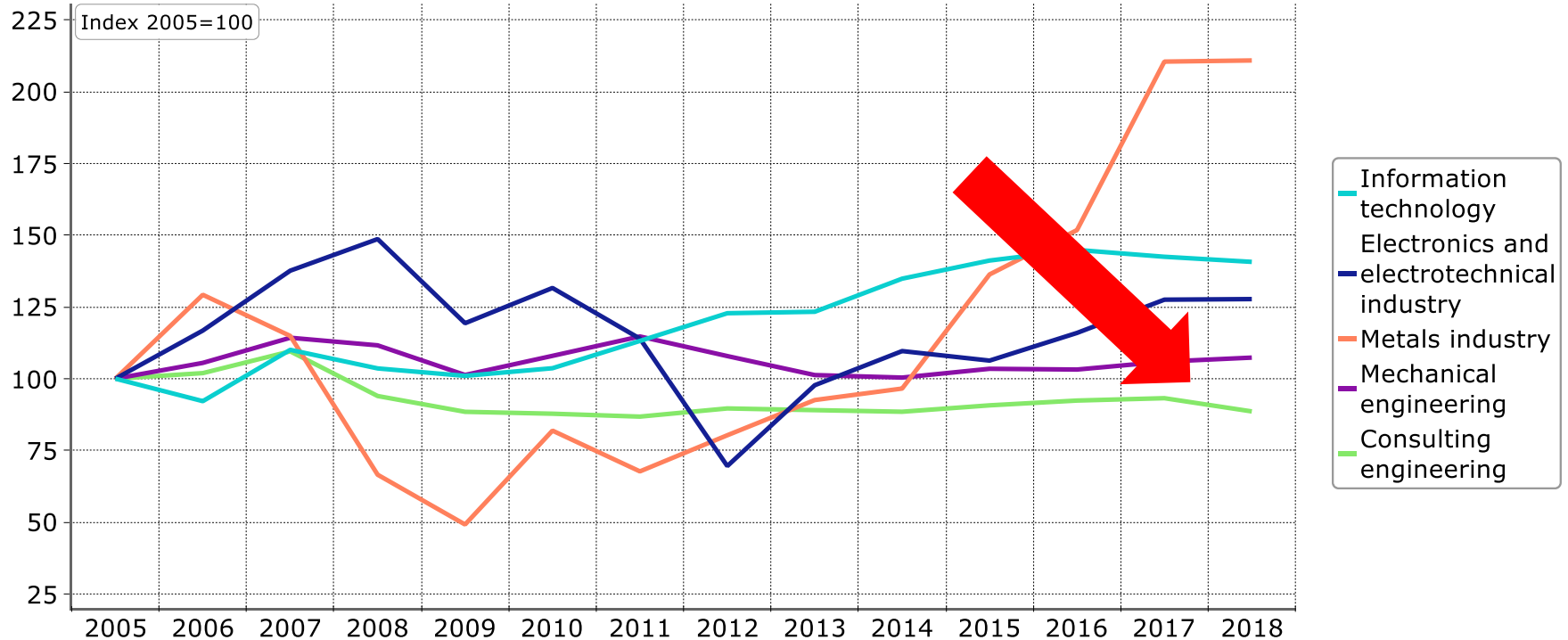
Valmistuneet rakennushankkeet Myönnytyt rakennusluvut Aloitetut rakennushankkeet

**BLUE** = Number of building permits  
**GREEN** = Number of new projects  
**PURPLE** = Number of finished projects

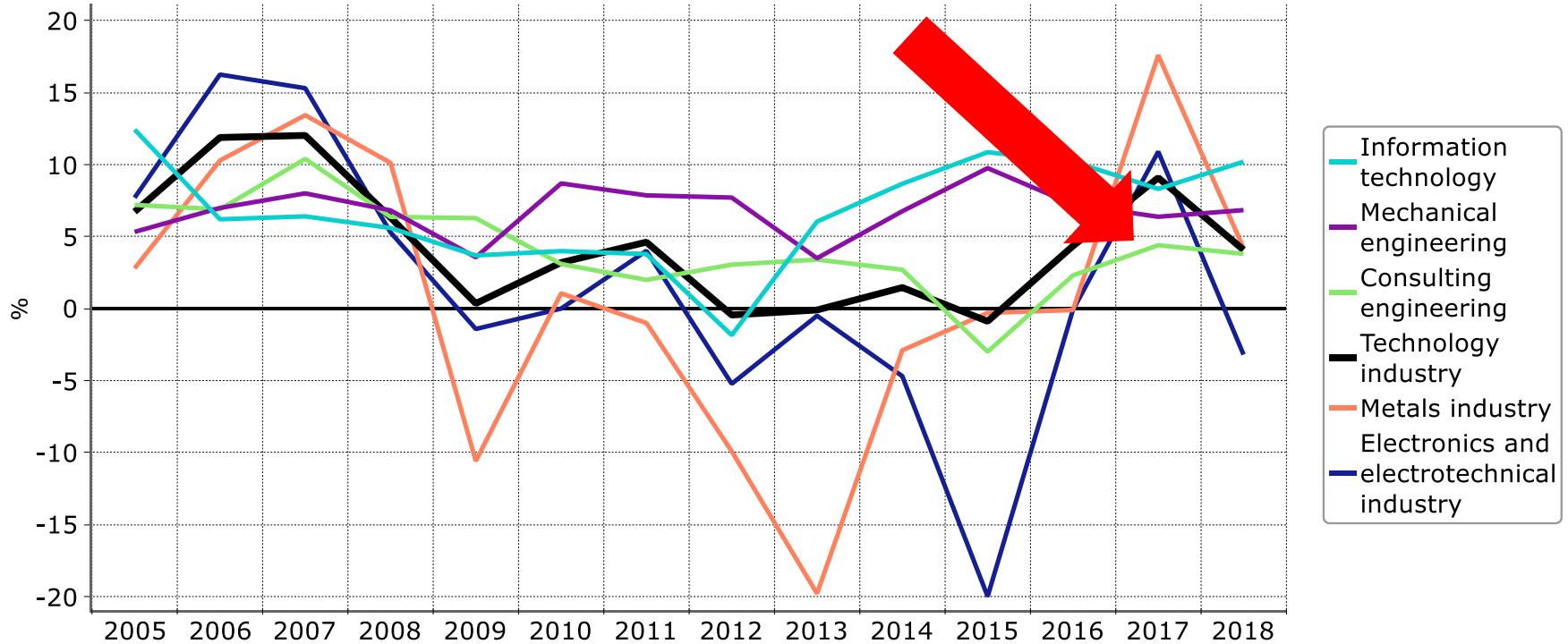


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- 14 Maatalousrakennukset ja eläintalouden rakennukset
- 19 Muut rakennukset
- SSS Yhteensä

# Productivity\* Development in Technology Industry by Branches



# Net Profit-% of the Technology Industry in Finland by Branches





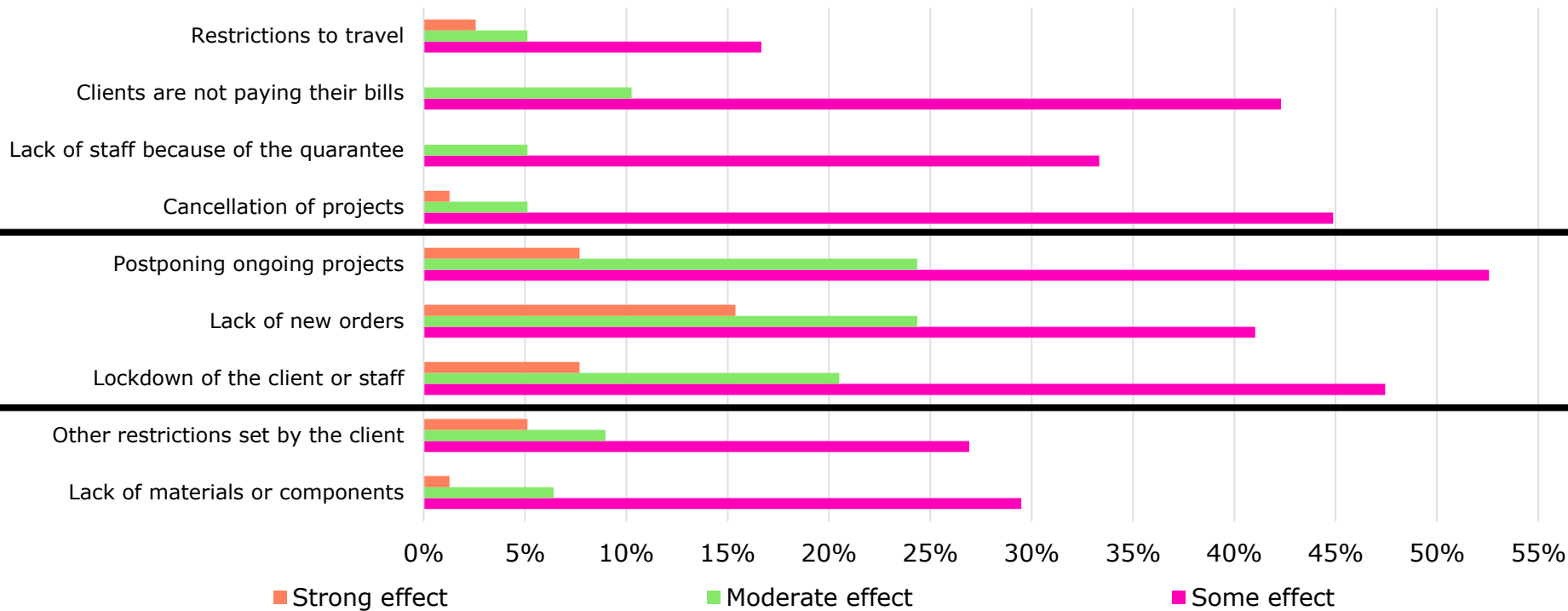
**World economy is in crisis caused by the COVID-19 pandemic.**

**There has been a sharp shock to the global to the global economy, but how long will it last?**

**The longer the outbreak persists, the greater the chance of a more prolonged and more severe impact on the global and local economies will become.**



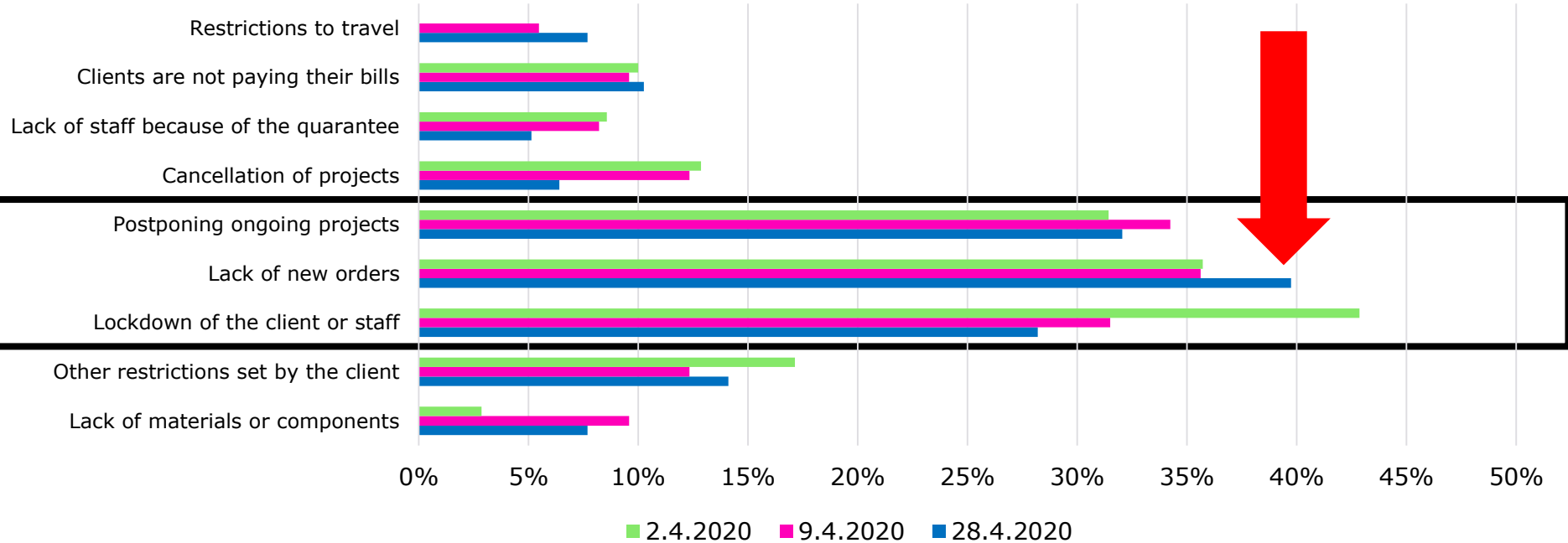
# Lockdown of personnel and/or clients, lack of new orders and postponed projects are the most common challenges faced by the CE firms.



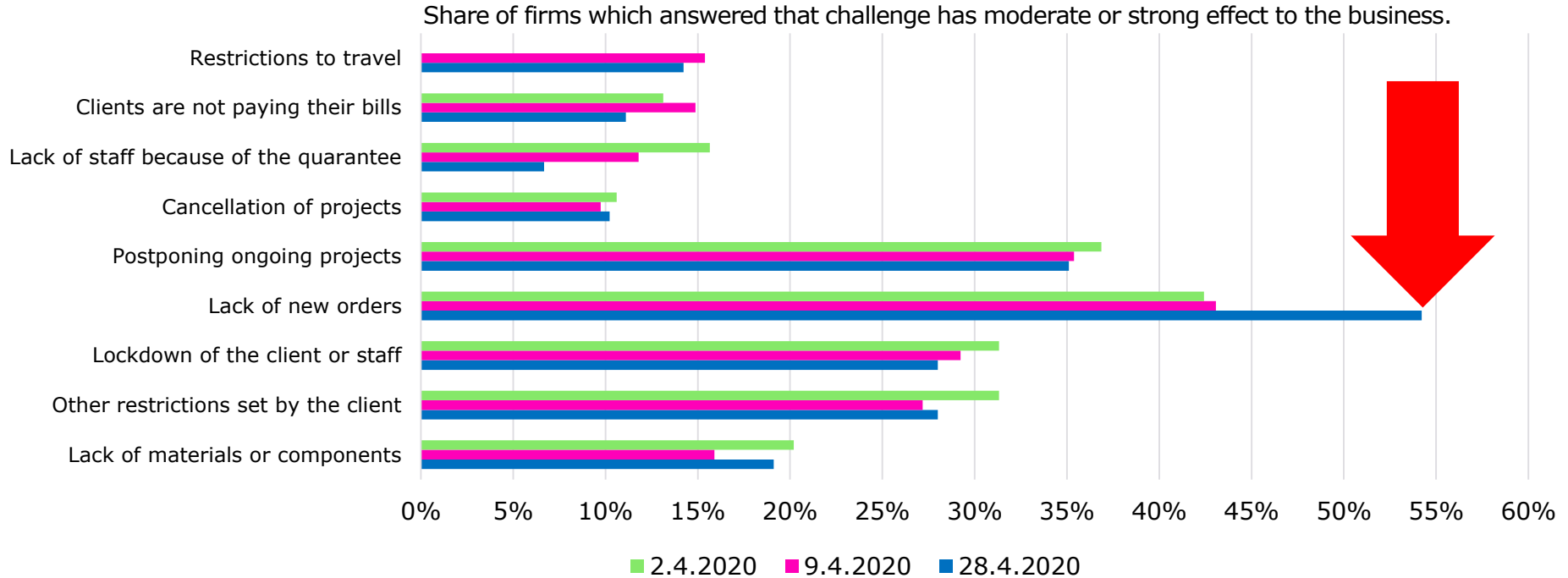
# In CE sector the lack of new orders is growing challenge: 39 % of firms say it has moderate or strong implications to the business already.



Share of firms which answered that challenge has moderate or strong effect to the business.



# To the SME's the lack of new orders has hit even stronger



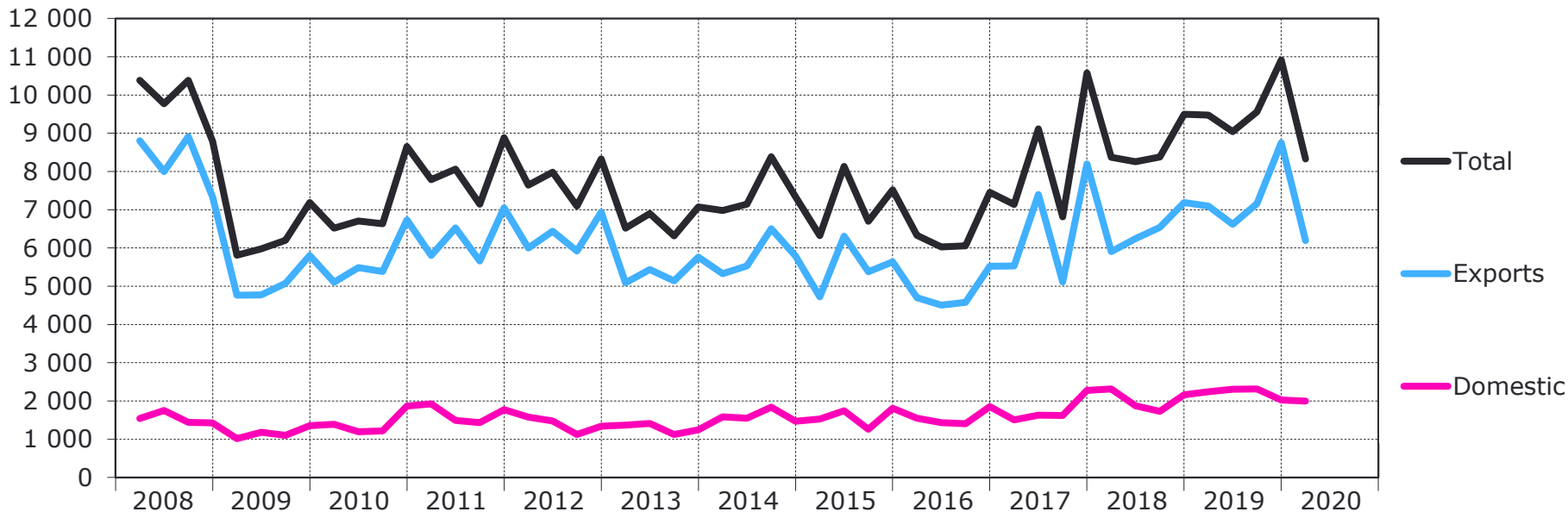


**Immediate hit was in the retail and hospitality sectors. Disruption has already spread to the manufacturing industries, forest and chemicals, automotive and aviation, but full effects have yet to filter through.**

**In the CE and construction sectors situation is expected to worsen rapidly, hitting the bottom by the end of the 2020.**

# New orders from technology industries\* firms in Finland

Miljoon euros



Period:	I/2020 / I,2019	I,2020 / IV,2019
Exports:	-13 %	-29 %
Domestic:	-11 %	-2 %
Total change:	-12 %	-24 %

\*) Excl. metallurgy, gaming industry, software firms and data centres



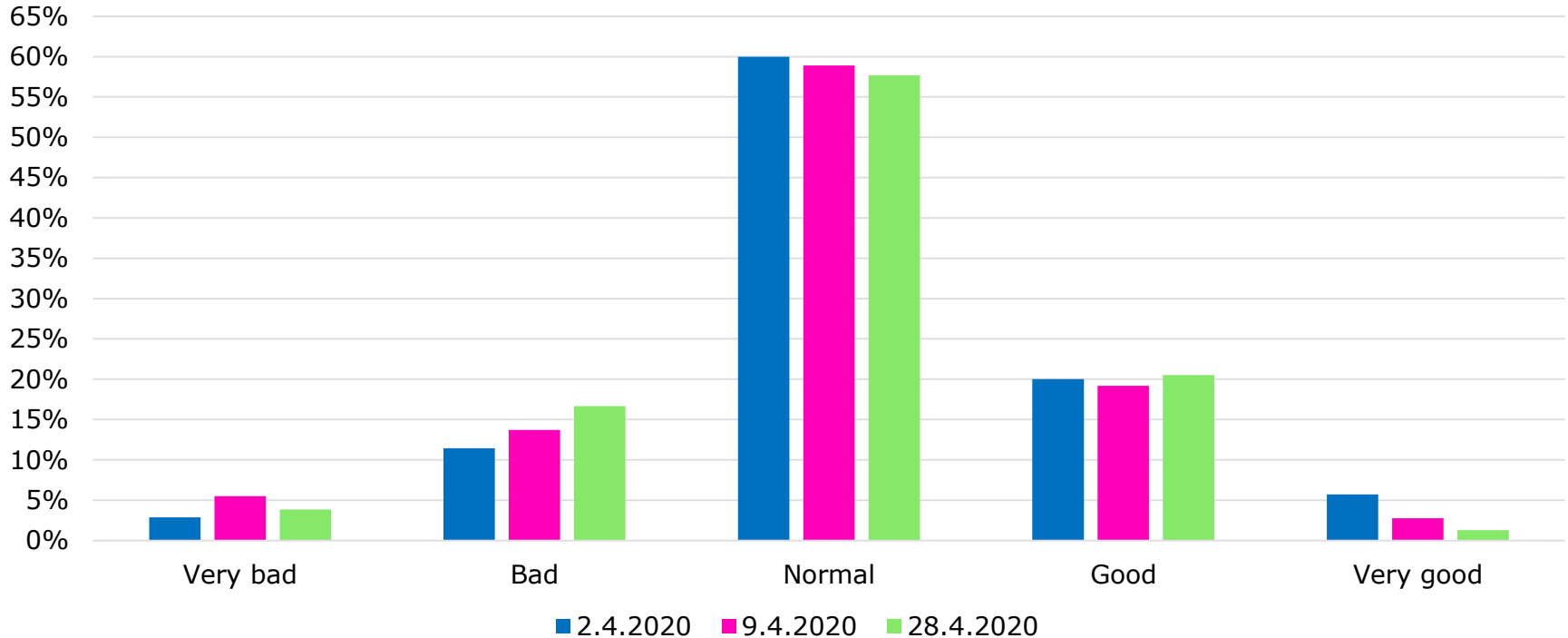
## Housing construction:

**Order stock -36 % and new orders -54 % since last year**

TILAUSKANTATIEDUSTELU 2/2020						
Suunnittelu- ja konsultointialan tilauskanta ja muutokset toimialoittain						
Vertailu vuoden takaiseen						
Talo, muutos %	-36	-29	<b>-36</b>	-56	-33	<b>-54</b>
Teollisuus, muutos %	-48	-51	<b>-49</b>	-35	16	<b>-23</b>
Infra, muutos %	1	22	2	24	-6	24
<b>Yhteensä, muutos %</b>	<b>-1</b>	<b>22</b>	<b>-23</b>	<b>-23</b>	<b>10</b>	<b>-19</b>
	Tilaukanta: kotimaa M€	Tilaukanta: vienti M€	Tilaukanta: yhteensä M€	Saadut uudet tilaukset: kotimaa M€	Saadut uudet tilaukset: vienti M€	Saadut uudet tilaukset: yhteensä M€

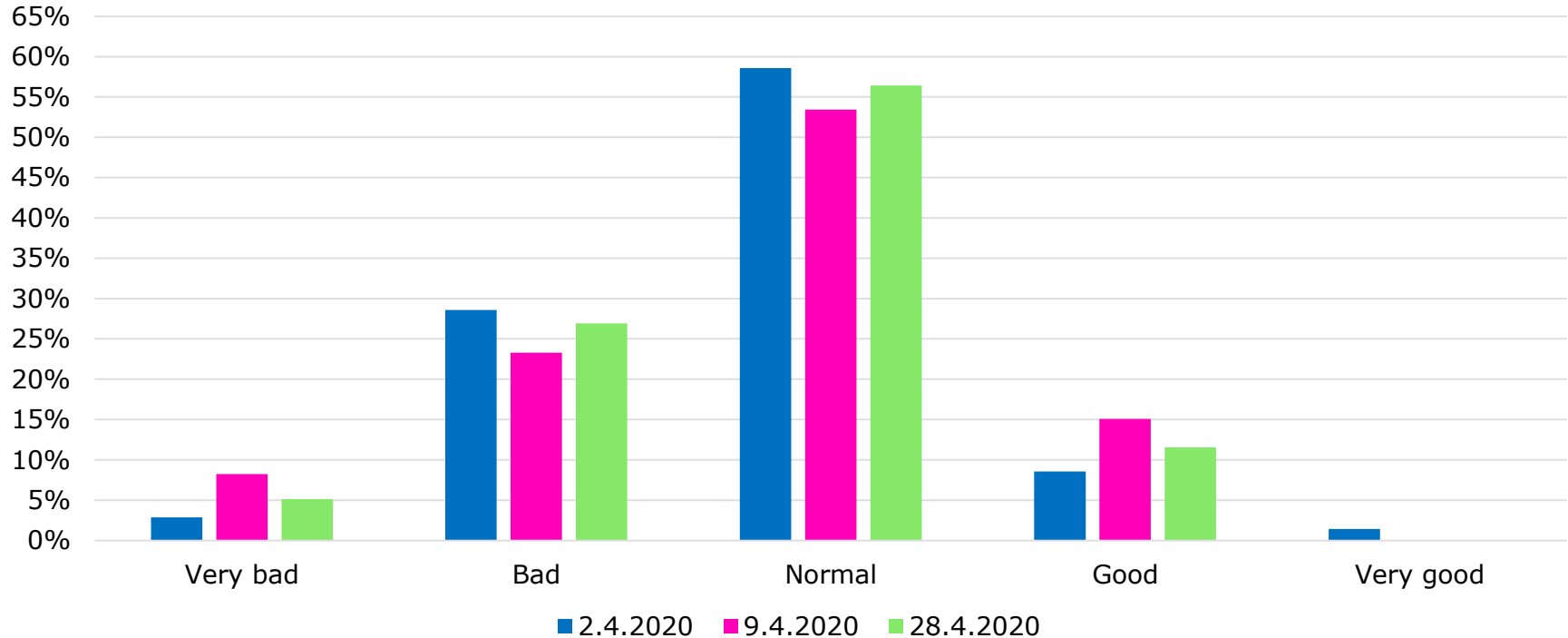


# 21 % of the CE firms find overall market either bad or very bad **NOW**



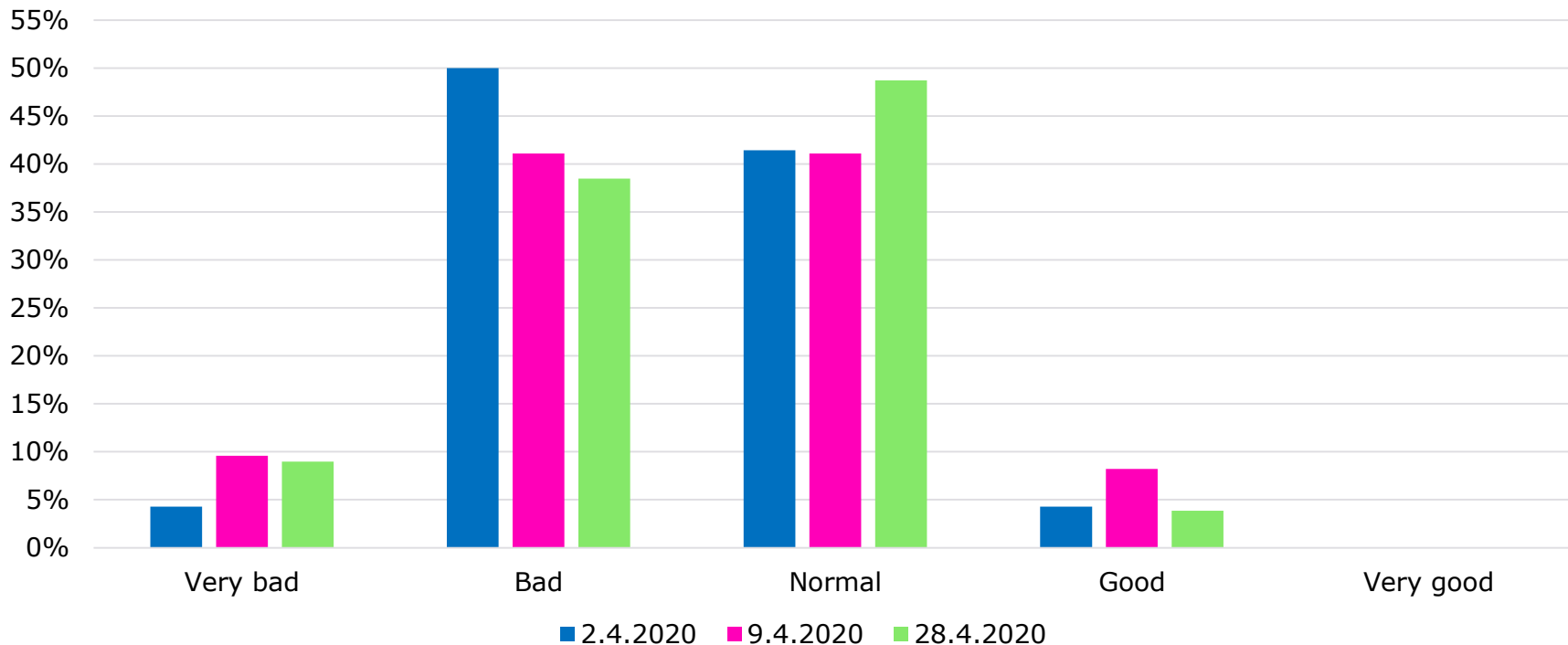


# 32 % of the CE firms find overall market either bad or very bad in COMING 1 MONTH





# 48 % of the CE firms find overall market either bad or very bad in COMING 3 MONTHS





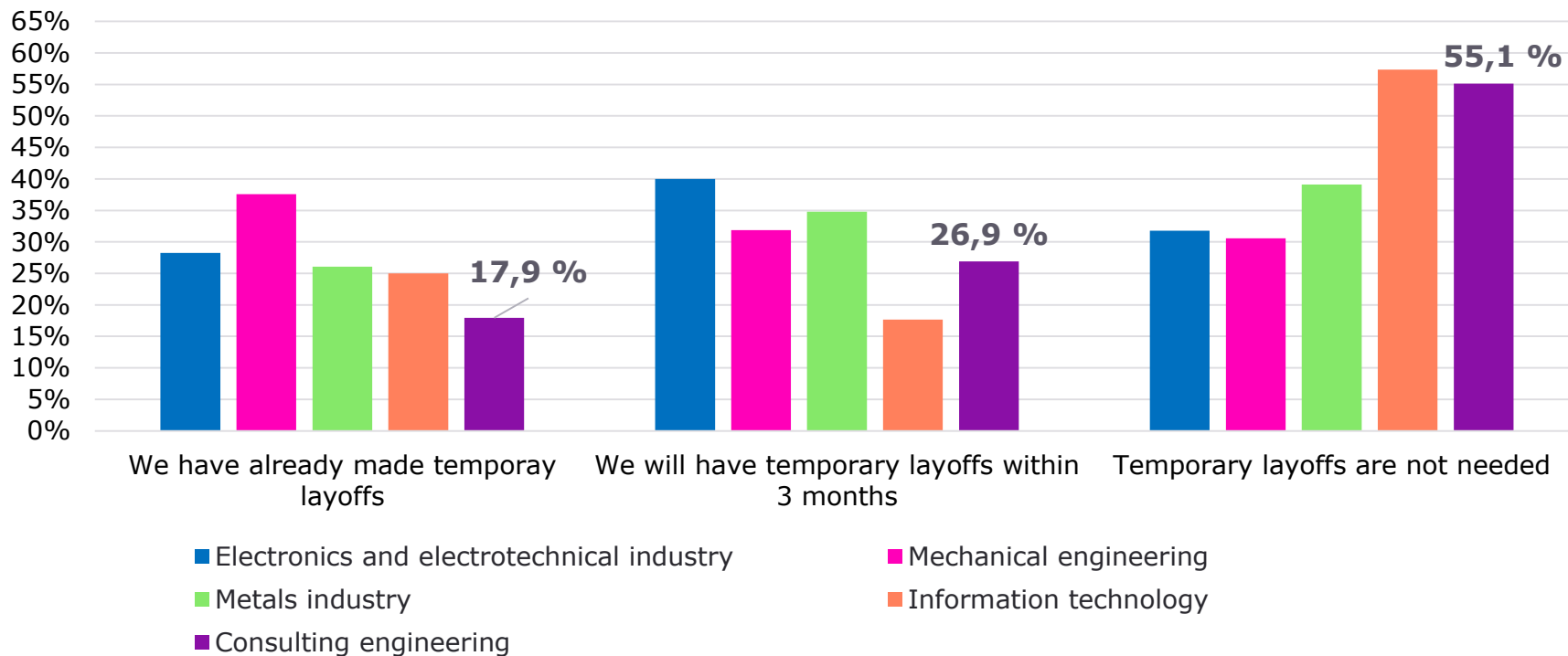
**Employment weakens rapidly in service industries as projects are completed and lack of new orders.**



## There are over 10 000 temporarily laid off engineers and architects

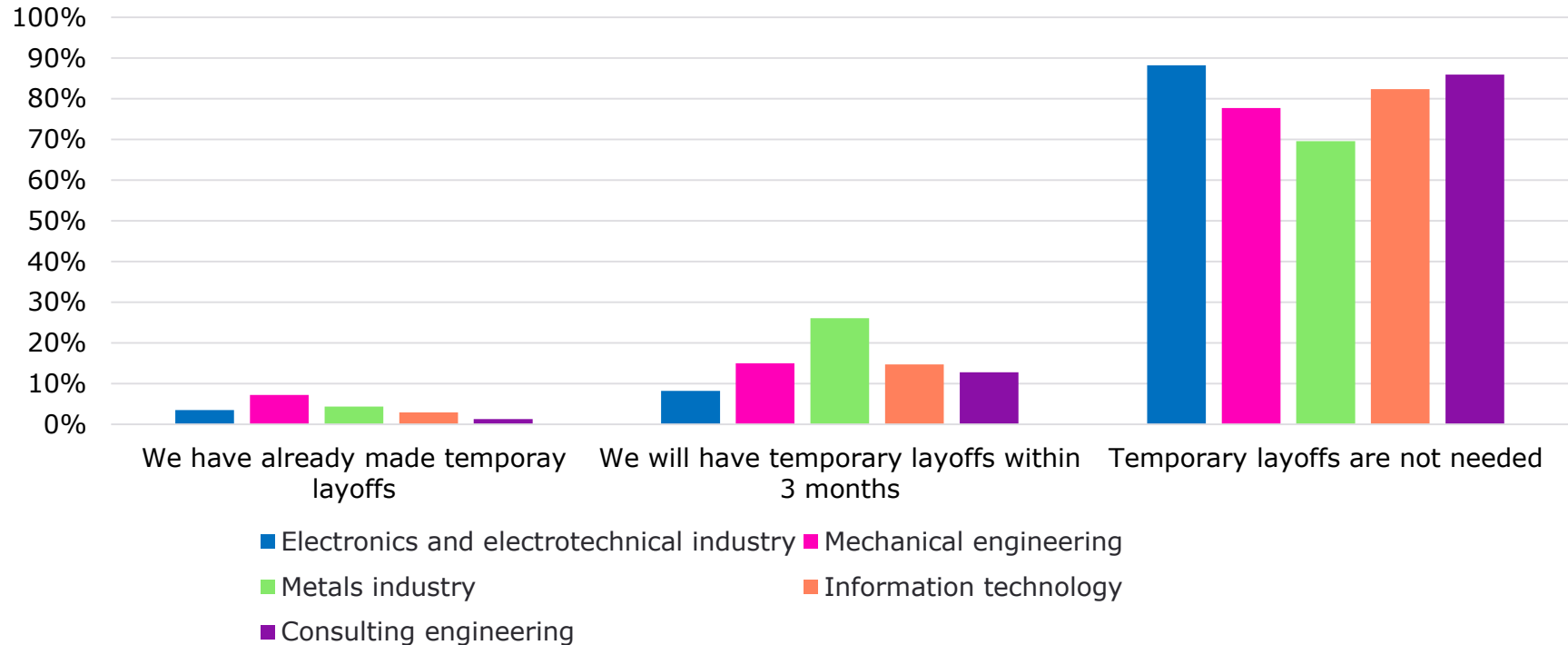
- Almost 90 CE and architectural firms have started a process to temporarily lay off staff. Over **10 000 technical designers and 4300 other consultants – app. 18 % of the staff** are temporarily laid off. (Situation 14.4.2020)
- In **construction over 13 000 persons** and in real estate sector (mainly **maintenance**) **over 24 000 persons** are temporarily unemployed.
- Total number of temporarily laid off in Finland is **over 140 000**.
  - Increase 6 000 per day

# 45 % of the CE firms will have temporary layoffs within 3 months



# GOOD NEWS:

## Major permanent layoffs are not expected





# Current COVID-19 restrictions in Finland and exit-strategy

# Finland has switched to hybrid strategy and is gradually re-opening the society



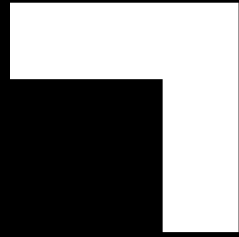
- **Openings from the 14<sup>th</sup> May onwards**
  - Pre and elementary schools will be opened with special arrangements
- **Openings from the 1<sup>st</sup> June onwards**
  - Meetings/ gatherings up to 50 persons are allowed
  - Restaurants will be re-opened gradually
  - Sports events, competitions and training sessions are allowed
  - Museums, theatres, libraries will be opened
- **Ongoing restrictions**
  - Travelling abroad (does not apply to inland borders when travelling to work)
  - High schools, universities, indoor sports venues, etc. will stay closed
  - Gatherings over 500 persons until 31.7.2020
- **Ongoing recommendations**
  - Working from home
  - Avoid visiting elderly persons over 70 years



# Support to business

- **Temporary amendments to labour laws**
  - Shorter notice times, CE personnel so called “5+5+5 days” –rule
  - Changes to annual holiday season
  - Number of detailed exceptions
- **Financial aid to firms**
  - Substantial aid packages to for example SME’s and to RDI activities.
  - Pressure is growing towards general aid for service sectors
- **Recommendations for contractual interpretations**
  - Application of Force majeure -conditions
  - Notice and reclamation periods





**Teknolohiateollisuus**