

EUROPEAN RECOVERY PLAN

The multiplier effect of investing in the EU construction sector

JOINT DECLARATION CPE – EBC – FIEC (11 MAY 2020)

Dear Commissioner Breton,

In our joint declaration, we had requested that the European Recovery Fund (in addition to the usual public level of spending) should include construction as one of the key industrial ecosystems with an amount of at least €320B of dedicated budget.

We would like to take this opportunity to better elaborate on the beneficial effects of investing in the EU construction ecosystem.

In this sense, we would like to support what Vice-President Timmermans told the European Parliament's Committee on Industry, Research and Energy (ITRE) on Friday 8 May: *"Investing in construction leads to immediate results and that affects the whole value chain of the European economy, benefits to small and medium enterprises more than others"*.

First of all, this is proven by the unique economic multiplier effect that our sector is able to generate. As recognised by [several studies](#), the spending multiplier effect for construction is the highest for many EU members, ranging between 1.9 and 2.9. This means that for every €1 spent on construction output, additional €1.9 to €2.9 of total economic activity is generated.

In this same direction, the Investment Report 2018/2019 of the European Investment Bank states that *"housing construction has large multiplier effects and generates strong spillovers to other actors"*. The same rationale can be applied to infrastructure investments which pay for themselves because they expand the overall economy and increase the tax base. The McKinsey Global Institute has [estimated](#) a 20 per cent rate of return on such investments.

Thus, according to these studies and estimations, an initial dedicated budget of €320B to the construction ecosystem in the EU Recovery Plan would have a multiplier effect (leverage factor) ranging between €608B and €928B.

In addition to the economic multiplier effect, investing in our sector will produce huge environmental, economic and social spillovers by creating value added jobs, positively contributing to the recovery of local economies, delivering the growth strategy of the European Green Deal, as well as ensuring a better quality of living for people as citizens.

With your support, we will improve the life of European citizens in these difficult times and address the global challenges towards decarbonisation of our economies in the coming years.