

FIEC is the European Construction Industry Federation, representing via its 32 National Member Federations in 27 countries (24 EU & Norway, Switzerland and Ukraine) construction enterprises of all sizes, i.e., small and medium-sized enterprises as well as “global players”, carrying out all forms of building and civil engineering activities.



PRESS RELEASE

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THE TRANSPOSITION OF BASEL III AND ITS IMPACT ON CONSTRUCTION – A CREDIT CRUNCH FOR CONSTRUCTION PROJECTS?

FIEC reiterates that a one-to-one implementation of the Basel III agreement and stricter capital requirements for banks could have potentially damaging consequences for the construction industry.

These include:

■ A reduction in the purchasing power of clients

This will negatively affect clients' capacity to invest in construction projects, including green construction projects to deliver on the EU Green Deal. Simply put, greener construction requires more capital, i.e., an enhanced investment capacity by clients. Introducing stricter capital requirements for banks would therefore constitute a major obstacle for clients to purchase greener construction, consequently making it impossible to reach the climate targets.

■ A reduction in companies' investment capacities

Construction companies, in particular small and medium-sized enterprises (SMEs), depend on an easy access to finance for their day-to-day operations, especially when their working capital is already under considerable constraints due to several factors, such as the surge in prices in construction materials which has only been aggravated by the ongoing war in Ukraine. In addition, construction companies must also be able to make their own operations more sustainable, a transition which requires investments that are costly. As such, an easy access to capital is indispensable.

■ A loss of jobs in the construction sector

As already mentioned, a strict implementation of Basel III risks reducing the purchasing power of clients and limiting the capacity for construction companies to deliver on projects, thereby reducing the amount of construction projects. This will ultimately result in a loss of jobs. There are estimates that 440.000 jobs in the EU's construction ecosystem would be at risk in this scenario.

Therefore, FIEC once again calls for:

- An impact assessment considering financing needs to cope with disruptive events on the market and to drive forward the transition to a sustainable economy.
- A proportionate implementation of the Basel III agreement that sustains banks' ability to finance the EU economy, including reviewing the risk weighting related to the construction sector and allowing for a more risk-sensitive approach for project finance.
- As a supporting measure, extend the possibility for public loan guarantees under the state aid Temporary Framework.

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