

## **SHOCK PREDICTION: Material Prices Could Rise by 20% in the Construction Industry Next Year**

**An average increase of 20% is expected in the production of building materials, according to Dávid Tibor, President of the Building Material Manufacturers Division of the National Association of Building Contractors, [writes Világgazdaság](#), a business daily.**

- [1] The price increases in the construction industry are attributable to the sudden hikes in electricity costs, which, according to Mr Tibor, affect all building materials to varying degrees depending of the electricity required to produce them.
- [2] While large volumes of energy are generally needed to produce building materials, the average increase is a composite of a fairly large spread between 10% and 30%. For example, the consumer price of fibrous and glass thermal insulators and drywall panels is expected to increase by more than 20%. The price of bricks and ceramic tiles could go up by even more, but the increase could stay below the average in the case of mined construction products.
- [3] The industry has experienced other price increases recently, such as in the case of plastic, timber and steel products. Mr Tibor notes that none of the products has returned to price levels of 12 or 6 months ago, whereas wage, packaging and transportation costs have continued to grow over the same period.
- [4] Despite this less than rosy outlook, Mr Tibor does not believe that there is a danger that Hungarian building materials factories might shut down, because the industry is committed to maintaining production levels.
- [5] Although manufacturers made investments into projects aimed at energy efficiency and capacity increases over the last few years, it was impossible to prepare for such a large hike in energy prices, and so those modernisation projects cannot fully offset the current price hike.
- [6] However, a new crisis in the form of a major price increase, coming on the heels of the product shortage at the beginning of the year, should be avoided on the market. Therefore, Hungarian manufacturers are set to initiate talks with the government. One potential solution could be if the government fixed the electricity and natural gas prices just as it has done with fuel prices.
- [7] An average increase of 20% in the price of building materials would mean that the overall cost of building and renovation projects could grow by approximately 10%.