



TRENDS AND OPPORTUNITIES IN THE CONSTRUCTION SECTOR IN SELECTED SOUTH-EASTERN EUROPE'S COUNTRIES

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Abstract

Southeastern Europe (SEE) constitutes a unique geographical sub-region of Europe. This region includes the Balkan countries, which are rich in cultural heritage, historical evolution, and geographical features. The countries in this region have varying stages of economic progress and development.

Considering the variations and unique characteristics of the individual countries within the SEE group and with purpose to provide a comprehensive coverage of all aspects of the construction sector, this paper focuses on the specificities, structure, development, and future trends in the construction markets of subset of nine SEE countries.

Key words: *Construction, GDP, economic growth, construction growth rate, employment, SEE*

JEL: *I74, J21, O18*

1. A historical overview of the construction sector in Southeastern Europe

Before the decline of socialism in the early nineties, the countries in the Southeast European (SEE) region operated within separate systems. The former Yugoslav Republics (Croatia, Bosnia and Herzegovina, North Macedonia, Montenegro, Serbia, and Slovenia), as a part of a shared state and market, had notable economic ties among themselves. Former Yugoslavia (SFRJ) also had integration with Western nations. Bulgaria, Romania, Hungary, and Moldova were strongly aligned with the Soviet bloc and were under the influence and control of the Soviet Union (USSR)



(Mojsovska, 10/2008). After socialism ended, the former socialist countries started a process of integration in the world economy which was called the transition process. Its main goals were to help former socialist societies to build democratic political systems and raise open market economies, which will be integrated with the global market. All transition countries had to go through the process of privatization, establishing political pluralism and democracy, as well as creating the institutional foundations of a market economy. Regarding their substantial integration into the international system, the SEE countries have “chosen” western model of democracy and market economy (Mojsovska, 10/2008).

Greece, were not socialist country and became a member of the European Union (EU) on January 1, 1981. It was the tenth country to join the EU, marking a significant step in the country's integration into European political and economic structures. Bulgaria, Croatia, and Slovenia are among the countries that have achieved the goals in their development and become EU members, promoting collaboration and opportunities in the union. These EU member states contribute to the region's integration with wider European structures. The countries in Southeastern Europe, including Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, and Serbia have not yet become members of the Union. Despite their non-EU status, these countries play crucial roles in the region's political and economic landscape. Those countries are still having difficulty becoming part of the global system, especially in terms of their economies.

For all countries of Southeastern Europe, it is crucial to improve industrialization and infrastructure development. This is an opportunity to reduce their dependence on foreign technologies and market and achieve significant progress and development in their market and economies.

The development of the construction sector in those countries is linked to the period of intensive industrial development in the countries after World War II. During this period, the first major construction enterprises were established by the states. The whole industry and also construction, as an integrated part of it, in that period operated under centralized planning and state control.

During the years from 1964 to 1980, the construction sector on Balkan saw a notable expansion in part due to increased investment, the involvement



of construction companies in foreign projects in international markets as Iran, Iraq, Kuwait, Soviet Union, Germany. In this period, the construction industry in Former Yugoslavia made up around 12-13% of the total economic output (GDP) of the country (Chamber of Commerce of North Macedonia, 2002). Construction companies were enormous, and were included in countries modernization and urbanization. They had significant experience in designing and executing various types of big projects in all areas of construction, including infrastructure (highways, tunnels, bridges, airports, other infrastructure projects), buildings (residential, commercial, industrial, public structures), as well as water management projects (irrigation systems, dams, sewage systems, treatment plants). Significant infrastructure projects and residential buildings, factories were undertaken to support the growing urban population and industrialization. These notable landmarks continue to exist today, serving as the foundation for current and upcoming industrialization and urban development (Chamber of Commerce of North Macedonia, 2002).

The independence of the countries from former Yugoslavia in the 1990s decreased the investment activity. It was a period of civil wars in the region (wars in Serbia, North Macedonia, Croatia, Bosnia and Herzegovina, Kosovo), disrupted the sector, damaging infrastructure and causing economic instability. A prolonged period of disinvestment led to the decline in the internal reserves of construction companies. This, in turn, affected the liquidity of companies and contributed to a decline in the construction sector. During the transition period from 1990 to 2000, the construction companies in the SEE countries experienced internal reorganization. This was done with the aim of achieving better operational efficiency. In this purpose, giant construction firms were divided into smaller ones. This transition brought both opportunities and challenges for the construction sector. Foreign investments, privatization of state-owned enterprises, and increased urbanization led to new construction projects and developments (Chamber of Commerce of North Macedonia, 2002).

2. Economy trends in selected South-Eastern Europe countries

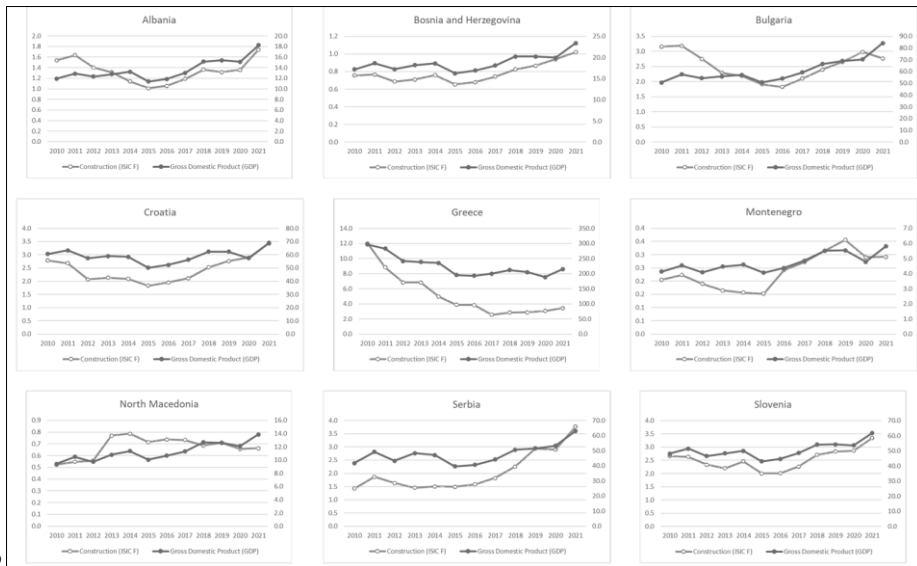
The period from 2010 to 2021 witnessed dynamic economic changes in South-Eastern Europe countries, reflected in their Gross Domestic Product



(GDP) growth, the performance of the construction sector, and its contribution to overall GDP.

GDP growth is a fundamental indicator of a nation's economic health. The GDP growth data for the period 2010-2021 reveals a dynamic economic landscape across the studied SEE countries. Over the analyzed period, various countries exhibited diverse patterns of GDP growth. Different factors, including global economic crises and the recent pandemic, have significantly influenced their growth trajectories. While some nations showcased remarkable recoveries, others faced oscillation and contraction. The trends in economic growth can be observed through the data presented in Figure 1 and Figure .

Figure 1. GDP and construction trends in selected SEE countries (2010-2021)



2

Source: Prepared by author, based on data published on the official website of the United Nations Statistics Division <https://unstats.un.org/unsd/snaama/Index>, April.2023

Greece, for instance, faced significant challenges, experiencing a decrease from 296.8 billion USD in 2010 to 188.9 billion USD in 2021. The country encountered multiple years of negative growth. The highest positive growth rate of 8.4% in 2021 showed a noticeable contrast with a -10.1% contraction in 2011. This decline was attributed to various economic factors, including the COVID-19 crisis. Tourism is a vital pillar of the Greek economy,



contributing significantly to its GDP and providing employment for a substantial portion of the population. With travel restrictions and lockdowns in place, the number of tourists visiting the country plummeted, leading to severe financial losses for businesses that rely on tourism, including hotels, restaurants, transportation services, and local shops.

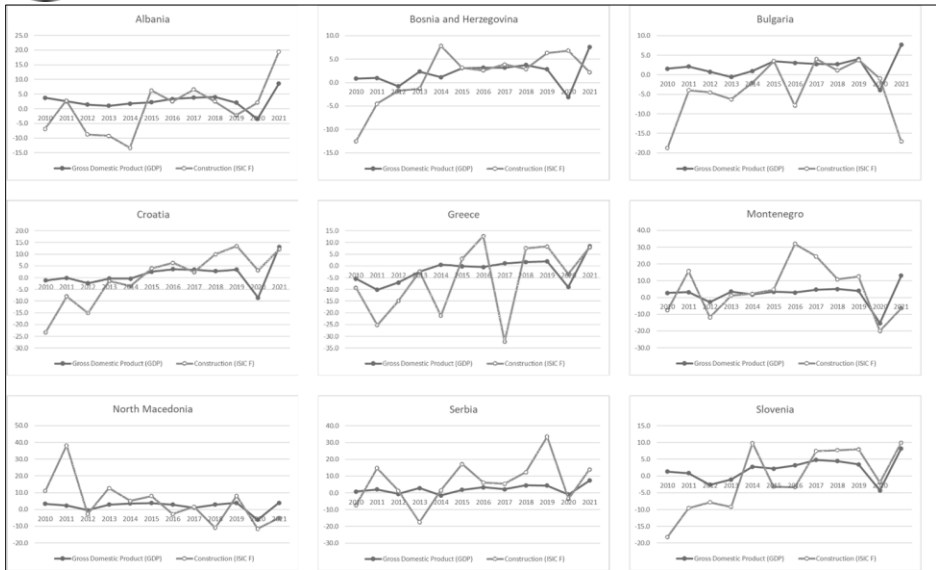
Countries like Bulgaria and Serbia displayed consistent growth, with Bulgaria's GDP increasing from 50.7 billion USD in 2010 to 84.1 billion USD in 2021, and Serbia's GDP rising from 41.8 billion USD to 63.1 billion USD. Serbia faced a contraction of -0.9% in 2020 but managed to achieve a substantial recovery with an impressive growth rate of 7.4% in 2021. Slovenia also indicates positive economic development, with its GDP increasing from 48.2 billion USD in 2010 to 61.7 billion USD in 2021. These countries successfully navigated through economic uncertainties by implementing policies that supported sustained growth.

In Montenegro, the GDP exhibited fluctuations but did not show a clear trend, ending at 5.8 billion USD in 2021. The country displayed robust growth in 2010 and 2011, only to experience a severe contraction in 2020 due to the pandemic.

Croatia experienced a notable economic recovery, achieving a remarkable growth rate of 13.1% in 2021 (with a GDP of 69 billion USD). This was a significant turnaround from the severe contraction of -8.6% in 2020, when the GDP decreased to 57.5 billion USD.

In the case of North Macedonia, GDP growth rates displayed overall positivity, albeit with fluctuations. The highest growth rate reached 4.0% in 2021, leading to a GDP of 13.9 billion USD. Conversely, the lowest growth rate was -6.1% in 2020, resulting in a GDP of 12.1 billion USD.

Figure 2. Growth rates of GDP and construction in South-Eastern Europe countries during the period 2010 – 2021 year



Source: Prepared by author, based on data published on the official website of the United Nations Statistics Division <https://unstats.un.org/unsd/snaama/Index>, April.2023

Bosnia and Herzegovina experienced relatively stable growth rates, encompassing both positive and negative values. The highest positive growth rate was 7.5% in 2021 (with a GDP value of 23.4 billion USD), while the lowest was -3.1% in 2020 when the GDP decreased to 20 billion USD.

The GDP growth rate for Albania fluctuated during this period, with both positive and negative growth rates. The highest positive growth rate was 8.5% in 2021 when the GDP reached 18.3 billion EUR, following a significant contraction of -3.5% in 2020 when the GDP decreased from 15.4 billion to 15.1 billion EUR.

The ongoing global energy crisis, initiated by the conflict between Russia and Ukraine, and international restriction to Russia, presents a new complex and significant challenge for countries in South-Eastern Europe. It impacts individuals, businesses, and nations, leading to disruptions in energy access.

Governments across the region were implementing measures to reduce the consequences of this issue. As the crisis spreads globally, Europe finds itself at the epicenter, with a primary concern being the insufficient supply of natural gas. This situation recalls previous occurrences, such as the oil



shortage in the 1970s, although the solution was relatively simpler then, involving reduced oil consumption.

Historical trends indicate that significant global events have led to price increases and subsequent economic instability. These instances underscore the unpredictable nature of energy procurement strategies. The current situation is even more complex, involving diverse elements such as gas, oil, coal, electricity, food, and environmental factors. Moreover, more people are having trouble getting energy and basic essentials. This is the first time in ten years that problems with energy and food have gotten worse.

The simultaneous appearance of this challenge with the ongoing COVID-19 crisis makes the global economic situation even worse. This two-fold crisis also makes the issue of higher living costs around the world more serious, which affects households because higher food and energy prices come at the same time as lower incomes (International Energy Agency-IEA, 2023). As a result, these accumulating challenges are placing significant pressure on economies, particularly in regions with limited growth, such as Southeastern Europe.

3. Analyzing the economic impact of the construction sector on South-Eastern European Countries

The construction sector in South-Eastern European countries continues to develop today with a focus on modernization, sustainable practices, and infrastructure development. Countries in the region are investing in various construction projects, including transportation networks, energy facilities, commercial complexes, and residential buildings. International collaborations and partnerships play a significant role in shaping the future of the construction industry in South-Eastern European countries.

However, countries in the region lack proper urban planning and infrastructure, resulting in informal urban areas or illegal constructions in existing urban zones. Experience shows that measures like legalization, penalties, and even demolition have not completely stopped informal development. Furthermore, the absence of effective urban planning or the discontinuation of such efforts has led to disorganized and disorderly urban



growth. Political instability and weak administrative capacities can impede successful urban planning and implementation, resulting in unplanned and haphazard urban expansion. In 2019, the total number of enterprises in the construction sector varied across countries, with Bulgaria having the highest count at 408,587, and Montenegro having the lowest at 34,707. In 2020, the total number of enterprises remained relatively stable, with countries like Montenegro, Serbia, and Croatia experiencing slight increases in the number of enterprises.

In 2019, the percentage of construction enterprises as a portion of the total enterprises ranged from 3.78% in Albania to 11.16% in Montenegro, where there were 34,707 such enterprises. In 2020, the percentage generally increased in most countries, indicating a relative growth in construction enterprises as a proportion of the total number of enterprises. Specifically, in the Albanian market, there were 4,294 local enterprises operating in the construction sector, accounting for 4.19% of the total number of enterprises. Bulgaria had 21,297 construction enterprises, making up 5.32% of its total enterprises, while Serbia had 8,320, representing 9.23% of its total. Croatia had 18,065 enterprises in the construction sector, constituting 10.74% of the total number of enterprises in the country. The number of enterprises in the construction sector can reflect the level of business activity and competition within the industry. Further analysis would require additional context and data to draw more comprehensive conclusions about the impact of these trends on the overall economy of each country.

Table 1. Number of enterprises in 2019 and 2020 year

Country	2019			2020		
	Total	Construction	% in total	Total	Construction	% in total
Albania	104,090	3,930	3.78	102,574	4,294	4.19
Bulgaria	408,587	20,985	5.14	400,492	21,297	5.32
Croatia	165,720	16,523	9.97	168,242	18,065	10.74
Montenegro	34,707	3,874	11.16	37,255	4,304	11.55
North Macedonia	75,914	5,270	6.94	73,061	5,263	7.20
Serbia	88,224	7,899	8.95	90,111	8,320	9.23

Source: Prepared by author, based on data published on the official websites of the Statistical Offices of Albania, Bulgaria, Croatia, Montenegro, North Macedonia, Serbia

The upcoming sections will examine the impacts of the construction sector on the country's GDP and its economic contribution over the period from 2010 to 2021. The construction sector's contribution to GDP is a vital



indicator of its economic impact. A growing construction sector often correlates with overall economic growth. It is necessary to analyze how the sector's share of GDP has evolved over the years in these countries. An increasing share can indicate a positive contribution to economic growth. Additionally, these sections will explore the sector's contribution to employment and prospects for infrastructure development in South-Eastern European countries. The construction sector is a significant source of employment, both directly and indirectly, due to its multiplier effect on other industries. Analyzing employment trends in the construction sector can provide insights into its role in job creation and labor market dynamics. Infrastructure development is a key aspect of the construction sector's contribution to economic development. The construction of roads, bridges, buildings, and other infrastructure projects can enhance a country's competitiveness and quality of life. Examining the scale and nature of infrastructure projects undertaken in these countries can reveal their commitment to improving their physical and social infrastructure.

3.1. Economic contribution of the construction sector to GDP

Across South-Eastern European countries, there is a recognizable influence between construction growth and GDP growth rates. There is a clear correlation between positive GDP growth rates and the subsequent increase in GDP values in most cases. Positive construction growth often aligns with positive GDP growth, demonstrating the sector's contribution to economic expansion. The values of GDP, the construction sector, and its contribution percentages to total GDP can be observed through the data presented in tables and graphs included in this section.

Greece's construction sector faced significant challenges, resulting in a notable decline in both value and contribution. The country's construction industry faced severe economic difficulties, which translated into negative growth rates for the majority of the years extending across from 2010 to 2021. The industry experienced a contraction of -9.2% in 2010, followed by a decline of -25.2% in 2011. Despite intermittent periods of positive growth, such as 12.7% in 2013 and 7.9% in 2021, the industry confronted with significant contractions, working hard to continue recovery. Across the entire period from 2010 to 2022. Greece maintained the highest construction sector value in terms of billion USD compared to other South-Eastern European



countries. In 2010, Greece's construction industry held significant value at \$12.0 billion USD, contributing 4% to the total GDP. However, over the years, there was a notable decline of \$8.5 billion USD in the construction value, reaching \$3.5 billion USD in 2021. This decline aligns with the decrease in the construction sector's contribution to the total GDP, dropping from 4.0% to 2.2%. The substantial decrease in both construction value and its contribution percentage underscore Greece's notable construction industry contraction, likely attributed to the economic difficulties the country faced during this period.

The construction sectors of Albania, Montenegro, and North Macedonia were smaller in terms of value compared to other South-Eastern European countries, with varying growth trajectories.

Albania's construction industry experienced fluctuations in growth rates from 2010 to 2021. It faced a contraction of -6.9% in 2010, followed by a positive growth of 2.8% in 2011. The industry saw a significant decline of -8.8% in 2013 but managed to recover with remarkable growth of 6.2% in 2014. In 2020, Albania's construction industry showed strong growth of 19.4%, concluding the period with a growth rate of 2.1% in 2021.

The percentage contribution of the construction sector to the GDP reveals the share of the construction industry in the overall economy. The data shows that the contribution percentage had a declining trend, dropping from 12.9% in 2010 to 8.5% in 2019, and then gradually increasing again to 9.5% in 2021. In terms of value, the sector's worth grew from 1.5 billion USD to 1.7 billion USD in 2021. Across this period, Albania has been directing its efforts towards enhancing its infrastructure to foster economic expansion, attract foreign investment, and improve connectivity.

Table 2. Construction contribution percentages in South-Eastern Europe countries during the period 2010-2021



Country	Indicators (in bill USD)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Average %
Albania	Gross Domestic Product (GDP)	11.9	12.9	12.3	12.8	13.2	11.4	11.9	13.0	15.2	15.4	15.1	18.3	
Albania	Construction (ISIC F)	1.5	1.6	1.4	1.3	1.1	1.0	1.1	1.2	1.4	1.3	1.4	1.7	
Albania	Construction Contribution Percentage	12.9	12.7	11.4	10.3	8.6	8.9	8.9	9.1	9.0	8.5	9.0	9.5	9.9
Bulgaria	Gross Domestic Product (GDP)	50.7	57.7	54.3	55.8	57.1	50.8	54.0	59.2	66.4	68.9	70.2	84.1	
Bulgaria	Construction (ISIC F)	3.2	3.2	2.8	2.3	2.2	1.9	1.8	2.1	2.4	2.6	3.0	2.8	
Bulgaria	Construction Contribution Percentage	6.2	5.5	5.1	4.1	3.8	3.8	3.4	3.6	3.6	3.8	4.2	3.3	4.2
Croatia	Gross Domestic Product (GDP)	60.7	63.4	57.4	59.0	58.4	50.2	52.4	56.3	62.3	62.3	57.5	69.0	
Croatia	Construction (ISIC F)	2.8	2.7	2.1	2.1	2.1	1.8	2.0	2.1	2.5	2.8	2.9	3.4	
Croatia	Construction Contribution Percentage	4.6	4.2	3.6	3.6	3.6	3.6	3.7	3.7	4.0	4.4	5.0	5.0	4.1
Montenegro	Gross Domestic Product (GDP)	4.1	4.5	4.1	4.5	4.6	4.1	4.4	4.9	5.5	5.5	4.8	5.8	
Montenegro	Construction (ISIC F)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.4	0.3	0.3	
Montenegro	Construction Contribution Percentage	4.9	4.9	4.6	3.7	3.4	3.8	5.5	5.6	5.7	6.4	6.1	5.0	5.0
North Macedonia	Gross Domestic Product (GDP)	9.4	10.5	9.7	10.8	11.4	10.1	10.7	11.3	12.7	12.6	12.1	13.9	
North Macedonia	Construction (ISIC F)	0.5	0.5	0.6	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	
North Macedonia	Construction Contribution Percentage	5.6	5.2	5.7	7.1	6.9	7.1	6.9	6.5	5.4	5.6	5.4	4.8	6.0
Serbia	Gross Domestic Product (GDP)	41.8	49.3	43.3	48.4	47.1	39.7	40.7	44.2	50.6	51.5	53.3	63.1	
Serbia	Construction (ISIC F)	1.4	1.9	1.6	1.5	1.5	1.5	1.6	1.8	2.3	2.9	2.9	3.8	
Serbia	Construction Contribution Percentage	3.4	3.8	3.8	3.0	3.2	3.8	3.9	4.1	4.5	5.7	5.4	6.0	4.2
Slovenia	Gross Domestic Product (GDP)	48.2	51.5	46.6	48.4	49.9	43.1	44.7	48.6	54.2	54.3	53.7	61.7	
Slovenia	Construction (ISIC F)	2.7	2.6	2.3	2.2	2.5	2.0	2.0	2.3	2.7	2.8	2.9	3.3	
Slovenia	Construction Contribution Percentage	5.5	5.1	5.0	4.5	4.9	4.7	4.5	4.7	5.0	5.2	5.3	5.4	5.0
Bosnia and Herzegovina	Gross Domestic Product (GDP)	17.2	18.6	17.2	18.2	18.6	16.2	16.9	18.1	20.2	20.2	20.0	23.4	
Bosnia and Herzegovina	Construction (ISIC F)	0.8	0.8	0.7	0.7	0.8	0.7	0.7	0.7	0.8	0.9	0.9	1.0	
Bosnia and Herzegovina	Construction Contribution Percentage	4.4	4.1	4.0	3.9	4.1	4.0	4.0	4.1	4.1	4.3	4.7	4.4	4.2
Greece	Gross Domestic Product (GDP)	296.8	282.6	242.0	238.8	235.1	195.6	193.0	199.8	212.0	205.3	188.9	214.9	
Greece	Construction (ISIC F)	12.0	8.8	6.8	6.8	5.0	3.9	3.9	2.6	2.9	2.9	3.1	3.5	
Greece	Construction Contribution Percentage	4.0	3.1	2.8	2.9	2.1	2.0	2.0	1.3	1.4	1.4	1.6	1.6	2.2

Source: Prepared by author, based on data published on the official website of the United Nations Statistics Division <https://unstats.un.org/unsd/snaama/Index>, April.2023

The construction industry in North Macedonia had relatively stable growth rates during the observed period. It experienced positive growth in most years, reaching its peak at 38.3% in 2011 and 12.8% in 2013. However, negative years occurred, including -11.6% in 2019 and -5.1% in 2021. The construction sector in North Macedonia exhibited a slight increasing trend in both value and contribution percentage to the total GDP, indicating mild growth. The sector's contribution to the total GDP increased from 5.6% in 2010 to 6.0% in 2021, with the sector's initial value at 0.5 billion USD in 2010. By 2021, the total value of the construction sector had slightly grown to 0.7 billion USD.

Montenegro's construction industry exhibited a combination of positive and negative growth rates from 2010 to 2021. The industry faced a decline of -7.6% in 2010, followed by a strong recovery in 2011 with a growth of 15.9%. Growth years followed, including 32.0% in 2017 and 24.5% in 2018. However, challenges continued, evident in contractions of -20.0% in 2020 and -6.5% in 2021. Montenegro's construction sector demonstrated relatively stable value and contribution to the total GDP, indicating a more consistent performance within its economy. In 2010, the construction value in



Montenegro stayed at 0.2 billion USD, and it experienced growth, reaching a value of 0.3 billion USD in 2021. The sector's contribution to the total GDP increased from 4.9% in 2010 to 5.0% in 2021.

Bulgaria, Croatia, Serbia, Slovenia, and Bosnia and Herzegovina had varying levels of growth and stability in their construction sectors, with fluctuations in value and contribution percentages.

Bulgaria's construction industry faced challenges during the period, marked by years of negative growth. The industry witnessed a substantial decline of -18.7% in 2010, followed by another contraction of -4.0% in 2011. Despite recovery in certain years like 2014 and 2015, the industry encountered difficulties, including a decline of -17.1% in 2021. Bulgaria's construction sector saw a decrease in value over the years, leading to a lower contribution percentage to the total GDP as well. The recorded construction value was 3.2 billion USD in 2010, which declined to 2.8 billion USD by 2021. The contribution percentage decreased from 6.2% in 2010 to 3.3% in 2021. This decline could potentially be attributed to a combination of economic factors influencing the construction industry's performance.

Croatia's construction industry experienced challenges during the period from 2010 to 2021. The industry faced consistent negative growth until 2016, with its most significant contraction at -23.4% occurring in 2010, as a consequence of the global financial crisis from 2008. However, a notable turnaround appeared in 2017 as the industry started a recovery, witnessing positive growth rates ranging from 2.4% to 13.5% in the following years. The construction sector in Croatia contributed a total value of 2.8 billion USD. Over the period, the sector's value gradually increased to 3.4 billion USD by 2021. Croatia's construction sector experienced increase in value, resulting in a slight rise in its contribution percentage to the total GDP, progressing from 4.6% to 5% in 2021. This suggests that the sector maintained a relatively stable position within the economy.

Serbia's construction industry demonstrated a varied performance from 2010 to 2021. Following a contraction of -7.4% in 2010, the industry recovered with notable growth rates of 14.8% in 2011 and 33.6% in 2013. Despite periodic negative growth, the industry generally exhibited positive growth rates, culminating in a growth rate of 14.0% in 2021. In Serbia, the construction value in 2010 amounted to 1.4 billion USD, and it experienced



significant growth, reaching a value of 3.8 billion USD by 2021. Serbia's construction sector showcased important expansion in both value and contribution percentage to the total GDP, escalating from 1.4% to 3.8% in 2021. This suggests that the construction industry played an increasingly vital role in the country's economy during this period.

The construction industry in Slovenia encountered challenges during the observed period but also witnessed periods of recovery. The industry saw negative growth until 2012, with its most significant contraction at -18.2% occurring in 2010. Starting from 2013, the industry embarked on a recovery path, showcasing positive growth rates, with a peak growth of 10.0% in 2020. Slovenia's construction sector demonstrated moderate growth in value, although it experienced a slight decrease in contribution percentage. This indicates a stable industry that is not expanding rapidly. The construction value stood at 2.7 billion USD in 2010, growing to 3.3 billion USD in 2021. The contribution percentage of the construction sector to the total GDP exhibited a minor decline, moving from 5.5% (2010) to 5.4% (2021).

The construction industry in Bosnia and Herzegovina exhibited a mixed performance from 2010 to 2021. It initially faced a significant contraction of -12.6% in 2010, followed by another decline of -4.5% in 2011, as a consequence of global financial crisis. However, the following years showed signs of recovery, with positive growth rates ranging from 2.6% to 7.8%. The industry maintained generally positive growth rates, with the highest growth of 6.8% observed in 2012. In 2010, the construction value in Bosnia and Herzegovina stood at 0.8 billion USD, growing to 1.0 billion USD in 2021. The construction sector in Bosnia and Herzegovina experienced growth in value. Contribution percentage to the total GDP, maintaining a stable 4.4% share in both 2010 and 2021.

Fluctuations in the construction sector can impact economic performance, and the role of construction varies by country in Southeastern Europe. Overall, the construction sector remains a vital contributor to economic development and recovery in Southeastern Europe. Fluctuations in both GDP and the construction sector, along with its contributions to the total country's GDP, were common across most countries, indicating the influence of various economic factors and policies over the years. Economic conditions, political stability, and investment trends interact and shape the path of the construction industry. These different growth and decline patterns offer



important insights into the challenges and opportunities each country faced during this period.

3.2. The impact of the construction sector on employment

The construction sector offers a diverse array of job opportunities, incorporating skilled workers, specialists, engineers, architects, project managers, administrative staff, and support personnel. This diversity in job roles makes the industry accessible to a wide range of skills and qualifications, serving as a valuable source of employment opportunities.

One of the most significant impacts of the construction sector in SEE is its role in job creation. The sector generates a substantial number of both direct and indirect employment opportunities. Direct jobs involve individuals employed directly by construction companies, while indirect jobs are created in associated industries such as construction material manufacturing, transportation, and logistics. This ripple effect stimulates employment across the entire supply chain. Moreover, the construction sector has the capacity to absorb both skilled and unskilled labor, making it an inclusive employer. Skilled workers, such as masons, electricians, and plumbers, find opportunities to apply their expertise, while unskilled workers often receive on-the-job training and skill development to cultivate the next generation of skilled workers.

The total employment in 2019, varied across the listed countries with Bulgaria having the highest at 1.994.135 employees and Montenegro, as a smaller country has the lowest at 243.800 employees. In 2020, the total employment generally increased in countries in Southeastern Europe, with Serbia experiencing the most significant increase from 1.207.098 to 1.248.987 employees. In 2020, the total employment generally increased in most countries, with Serbia experiencing the most significant increase from 1.207.098 to 1.248.987 employee.

In 2019, the number of employees in the construction industry varied across the listed countries. Bulgaria had 142.188 employees in construction companies, Croatia had 116.000, North Macedonia, 56.036 employees, The percentage of employment in the construction sector as a portion of the total



employment varied between 6.93% and 9.93%. In 2020, the percentage generally increased in most countries, with Albania experiencing the highest increase from 9.07% to 10.02%. The percentage of construction employment as part of total employment generally indicates positive trends for the construction industry and its contribution to the economy. However, the overall economic impact depends on various factors, including the scale of construction projects, government policies, and the broader economic context. A growing construction sector can be a valuable driver of economic growth and job creation when managed effectively. A rise in construction employment is connected with increased investment in infrastructure, real estate, and other construction-related projects.

Table 3. Number of employees in 2019 and 2020

Country	2019			2020		
	Total	Construction	% in total	Total	Construction	% in total
Albania	520,528	47,224	9.07	507,347	50,838	10.02
Bulgaria	1,994,135	142,188	7.13	1,885,050	139,419	7.40
Croatia	1,675,000	116,000	6.93	1,634,000	120,000	7.34
Montenegro	243,800	24,200	9.93	219,400	18,300	8.34
North Macedonia	797,651	56,036	7.03	794,909	55,165	6.94
Serbia	1,207,098	83,682	6.93	1,248,987	87,200	6.98

Source: Prepared by author, based on data published on the official websites of the Statistical Offices of Albania, Bulgaria, Croatia, Montenegro, North Macedonia, Serbia

The cyclical nature of construction projects also influences employment patterns. Large infrastructure projects, for example, can provide steady employment for extended periods. Additionally, the construction sector often experiences peak periods during specific seasons or economic cycles, leading to fluctuations in employment. Therefore, the sector's impact on employment extends beyond just providing jobs; it also influences the stability and duration of employment.

However, it is essential to recognize that the construction sector can also present challenges in terms of job security and working conditions. Usually, construction jobs are project-based, which can lead to periods of unemployment between projects. Ensuring that workers have access to social security and labor protections is crucial to reducing these challenges.

The construction sector in Southeastern Europe is a significant contributor to employment in the region. Its ability to create a wide range of jobs, cater to diverse skill sets, and stimulate employment in related industries underscores



its importance in the labor market. While offering opportunities for economic growth and personal development, it also presents challenges that require thoughtful policy considerations. The construction sector's influence on employment in Southeastern Europe is substantial and multifaceted, making it a vital component of the region's economic landscape.

3.3. Prospects for infrastructure development in the South-Eastern Europe countries

Infrastructure development plays an essential role in shaping a nation's economic growth, connectivity, and overall development. Infrastructure is the key element of economic growth, supporting trading activities, improving movement and transport, and attracting foreign investments.

In South-Eastern Europe, the need for improved infrastructure is indicated by its geographical position as a bridge between Europe and Asia. With the expansion of global trade and connectivity, infrastructure is crucial for the region's competitiveness. Improving transportation networks, including roads, railways, and ports, can enhance regional and international trade. The construction of modern highways and well-connected rail systems can reduce transportation costs and stimulate economic activities. Countries like Bulgaria, Serbia, Macedonia can capitalize on their strategic location to develop transit corridors between Asia and Europe. Investing in renewable energy sources and upgrading energy networks can promote sustainability and energy security. The Southeastern Europe region possess potential for solar, wind, and hydropower. Exploiting these resources can diversify energy portfolios and reduce dependence on fossil fuels. Each of the Southeast European countries aims to enhance its infrastructure, thereby creating new opportunities for the construction sector. Infrastructure development always leads to increased demand for construction services. Road and rail networks, airports, ports, energy facilities, and public buildings all require skilled labor and expertise from the construction sector. The trend of further expansion and development of the sector depends on the continuity of investments and the demand for capital projects in the countries. Infrastructure development in Southeast European countries involves investments in infrastructure projects, which creates a supportive environment for local construction companies to



expand their operations. This, in turn, leads to job creation, skills improvement, and ultimately better economic development. Additionally, it presents an opportunity to adopt sustainable and innovative practices. By incorporating green technologies and sustainable design principles, these countries can develop infrastructure that minimizes its environmental impact. This move towards sustainability correlates with global trends and also drives innovation within the construction sector.

In an effort to improve Greece's infrastructure in the next period, the Greek Minister of infrastructure and transport, Christos Staikouras, announced the Greece's development plan 2030. This comprehensive plan includes 188 infrastructure projects worth around 27.6 billion euros (Ekathimerini, 2023). The priorities projects of this plan are as follows:

- Thessaloniki Metro (expected delivery 2024), Central Greece Highway E65 (expected in four years), Patra-Pyrgos Highway (expected in 2025), the Aktio-Amvrakia road connection in Western Greece (expected within 2023), Northern Road Axis of Crete (all worksites expected to open in 2024), Athens Metro Line 4 (ongoing), Halkida-Psachna Diversion and the Brallos-Amfissa Axis (contracts signed early 2023) (Ekathimerini, 2023).

For improvement the Bulgarian infrastructure, at the initiative of Bulgarian government, the European Commission has adopted the first major infrastructure program for Bulgaria for the period 2021-2027 – the Transport Connectivity Program (European commission official, 2022). The EU has allocated €1.61 billion, one of the largest amounts for Bulgarian cohesion program in the period 2021 – 2027. The most important infrastructure investments planned are:

- the construction and modernization of railway sections along Asia/Eastern-Mediterranean corridor, including a railway connection between Bulgaria and North Macedonia, and the modernization of the Sofia-Pernik-Radomir railway line.
- the construction of a road section along Asia/Eastern-Mediterranean corridor and improving connectivity between the Rhine - Danube corridor and Asia/Eastern-Mediterranean corridor in the North-South direction, including the construction of Ruse-Veliko Trnovo Highway.



- the construction of infrastructure for alternative fuels along the main directions of the national road network.

The new construction initiative in the Republic of North Macedonia is involving construction of four highways along Corridor VIII and Corridor X-d. The building of these four segments of a new, modern six-lane highway, covering a total of 110 kilometers, will establish a modern, high-quality, and safe road network across western Macedonia. These sections include Tetovo – Gostivar, Gostivar – Bukojcani, Trebeniste – Struga – Kafasan, border to Republic of Albania, and Prilep – Bitola, section in central Macedonia. Those projects have considerable economic and geopolitical significance for the country and the region. The complete investment for these highway projects is projected to reach 1.3 billion euros over the period from 2023 to 2027, with annual estimates ranging from 240 to 320 million euros (Ministry of finance of Republic of North Macedonia, 2023). When combined with related infrastructure investments, those infrastructure investments will constitute approximately 10% of the country's GDP. The construction of Corridor VIII and Corridor X-d is expected to generate considerable financial and economic benefits for the country, its economy, and citizens and to have a direct and positive influence on the country's current economic activities (Ministry of finance of Republic of North Macedonia, 2023).

The Serbian Government in 2019 has decided to invest by the end of 2025 amount of 13.5 billion USD for significant development infrastructure initiatives as part of a National Investment Plan. These funds will be allocated towards infrastructure projects as enhancing road, rail, air, and water infrastructure. The Serbia's list of important infrastructure projects for construction in the nearest future includes upgrading the Sumadija Corridor/Highway Vozd Karadjordje, modernizing the railway between Serbia and Bosnia, and expanding the Smederevo Port. The Sumadija Corridor is about 220km long and is worth more than 2 billion USD. Making the railway better between Serbia and Bosnia is really important for both countries. This project will improve the railway for faster electric trains and include electronic signals for safety. They also want to improve the Smederevo Port so it can manage more cargo. The total cost for this is about \$106 million, and the biggest amount is planned to go into building the port (International energy Agency-IEA, 2023).



The Government of Montenegro has identified a list of priority infrastructure projects, which includes nine energy projects totaling approximately EUR 1 billion and eighty-one projects in the environmental protection sector, with a combined value of around EUR 885 million. This updated list of priority infrastructure projects, introduced in 2018, encompasses 154 projects with a total investment exceeding EUR 6.3 billion. These projects span various sectors, including transportation, communal infrastructure, education, healthcare, culture, sports, and digitalization. Funding for these projects is expected to come from diverse sources, including the state budget, state-owned companies, loans, European Union grants, and public-private partnerships. The strategic importance of these projects for the country underlines their prioritization (Spasić, 2022).

In Albania, there are significant ongoing and anticipated infrastructure projects in the tourism, transportation, and energy sectors. These projects are expected to result in increased spending on construction in the near future. Significant building projects include the completion of the Trans Adriatic Pipeline, the development of a \$50 million stadium in Tirana, the establishment of various hydro power stations, improvements of major road corridors, and the construction of a new international airport in Kukes city (US International Trade Administration, 2023). In the year 2018, the Albanian government initiated the pre-qualification phase for a substantial \$90 million tender aimed at rehabilitating a 35-kilometer railway line connecting Tirana and Durres. Additionally, they are planning to construct a new 5-kilometer railway line that will link the train network with Tirana International Airport. Furthermore, the government has planned a public-private partnership initiative with a total value of 1 billion euros. This initiative is focused on upgrading Albania's infrastructure, which encompasses improvements to roads, hospitals, and schools (US International Trade Administration, 2023).

The European Commission announced on 30 June 2023 a new financial package worth 2.1 billion EUR to support investment in transport, energy, environment, human capital, and private sector support in the Western Balkans. Total amount of 303 million EUR in grants have been reserved for Bosnia and Herzegovina to fund four important projects. These projects will bring real benefits to the people by improving transportation, clean energy, and the environment (Delegation of EU to Bosnia and Herzegovina, 2023).



When combined with loans from international financial institutions, the total investment will reach €788 million. Here are the four approved projects:

- Road Corridor Vc: Ozimice – Poprikuše Motorway Subsection, which will include the construction of 5 tunnels and nine bridges and Mostar North – Mostar South Motorway Section, 14.2 km motorway.
- Sarajevo Water Project. This project aims to reduce water losses by replacing or fixing old pipelines, pumping stations, and wells. It will also connect about 4,000 new households to the water supply system. The goal is to make the water supply in the wider Sarajevo Canton more efficient.
- Rehabilitation of Čapljina Pump Storage Hydropower Plant. This project is crucial for increasing the use of renewable energy and reducing carbon emissions. It will renovate the equipment at the Čapljina Pump Storage Hydropower Plant, ensuring it can generate and store energy efficiently for another 15 years (Delegation of EU to Bosnia and Herzegovina , 2023).

Croatia is set to receive a significant €6.3 billion in funding from the European Union under its Recovery and Resilience Facility plan. A total of 728 million EUR is allocated for investment in sustainable mobility initiatives. These projects include the upgrading of railway lines, the development of autonomous electric taxis along with supporting infrastructure designed for people with disabilities, the installation of 1,300 charging stations for electric vehicles, and the introduction of zero-emission vehicles and vessels. An amount of 126 million will be invested to improve digital connectivity of rural areas, by increasing national broadband coverage with gigabit connectivity in rural areas and the construction of electronic communications infrastructure (European Commission, 2021).

Slovenia faces challenges in its railway and city transport systems, both of which feature dated infrastructure and transportation methods. One crucial railway connection in Slovenia is the Divača–Koper railway line, spanning between the towns of Divača and Koper. Originally constructed as a single track, recent years have seen the construction of a second track to enhance capacity and facilitate faster and more efficient transportation of goods and passengers. The second track of the Divača–Koper railway line represents a significant infrastructure project in Slovenia, with an estimated value of



approximately 1 billion EUR. The project has been executed in stages, and the first section of the second track, linking Divača and Črni Kal, was opened for traffic in September 2020 (China-see institute , 2023).

Successful execution of planned investments in infrastructure projects will have a transformative effect on the construction sector. An increase in construction projects, ranging from roads and bridges to energy facilities and urban developments, can stimulate job creation, encourage skill development, and economic growth. Moreover, the involvement of local construction companies in these projects is crucial. Local companies bring not only a deep understanding of the local market but also a personal interest in the long-term development of their communities. Their participation not only ensures that the economic benefits remain within the region but also encourages a sense of ownership and responsibility. If planned investments in infrastructure projects are realized, and local construction companies actively participate, the region can anticipate greater growth and development, leading to increased competitiveness in the construction sector. This, in turn, will contribute to the overall economic progress and prosperity of Southeastern European Countries.

CONCLUSION

This paper has underscored the pivotal role of the construction sector within the Southeastern Europe countries. The construction industry's impact on economic growth is undeniable, and its multifaceted influence extends beyond mere infrastructure development. It involves a complex interplay of building projects, financial investments, job creation.

The construction of capital facilities, particularly infrastructure projects, poses a crucial challenge for every nation, as it profoundly affects the future economic trajectory in the Southeastern Europe countries. It is imperative for each country to carefully consider the conditions for promoting economic growth and development, along with formulating strategic investment plans for capital projects. In cases as in Southeastern Europe where countries engage with inadequate road infrastructure, heightened investments in this sector are essential. Such investments not only enhance a nation's competitiveness but also attract external investments and elevate the overall level of development.



Moreover, the construction sector's substantial role in job creation in Southeastern Europe countries cannot be understated. As it contributes to the construction of capital goods and infrastructures, it emerges as a linchpin in stimulating economic growth across diverse sectors. Consequently, it becomes apparent that the construction industry holds vital importance for every economy, serving as a catalyst for growth and development. Therefore, recognizing and harnessing the potential of this sector should remain a priority for nations seeking to advance their economic prospects and societal well-being.

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