

EFFICIENCY OF CONSTRUCTION ENTERPRISES IN THE REPUBLIC OF MOLDOVA

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Abstract. *This article discusses the major importance of construction activity in the Republic of Moldova, provides an assessment of the current state and indicates the main indicators of efficiency of the given sector. The relevance of making forecasts on the efficiency of the construction industry is due to the need to find the optimal solution from a number of alternatives. The decision to opt for the given topic was influenced by the fact that although the construction sector played a central role in the economic development of the Republic of Moldova a few years ago, with a share of more than half in the formation of fixed capital, the situation is currently more difficult for most entrepreneurs in the country, who no longer operate due to low demand and lack of financial means. Based on the results of his research, the author has drawn up recommendations for the sustainable development of the sector, using statistical information from official sources.*

Keywords: *real estate market, construction, efficiency, opportunities, profit.*

Introduction

It is well known that construction activity is of major importance and is applied to practically all spheres of human life and activity. It creates conditions for living, for all social, cultural and sporting activities, for water supply, for transport, for the functioning of all branches of the national economy. In turn, construction activity is supported by a multitude of industrial producers, such as: the building materials industry, the construction machinery and equipment industry, and the metallurgical industry. We can underline the interdependence between different spheres of economic activity and the need to link them.

The economic situation of the country depends to a large extent on the nature of the processes taking place in the construction sphere. This is the indicator that characterises the general state of the country, the value of the national income and its attractiveness to other countries.

The construction industry in the Republic of Moldova is made up of the totality of enterprises in entrepreneurship, enterprises of the building materials industry, design and scientific research institutions, leasing companies, educational institutions and other specialized enterprises and organizations.

Analysis of static data related to the construction branch in the Republic of Moldova

In order to fully assess the situation in the construction sector, it is recommended to examine a system of natural and value indicators such as: the volume and structure of construction-assembly works in the contractor, the share of construction production in the creation of GDP, the number of construction organisations, the number of employees employed in construction companies, the level and dynamics of the average monthly wage. These data, as well as information for other types of benchmarking activities, are provided by the National Bureau of Statistics of the Republic of Moldova.

Construction companies can be classified by type of activity into:

- Building material manufacturing enterprises;
- Construction-assembly enterprises;
- Trading enterprises;
- Service enterprises.

Growing demand for new construction has led to an increase in the number of construction enterprises in the Republic of Moldova (Figure 1).

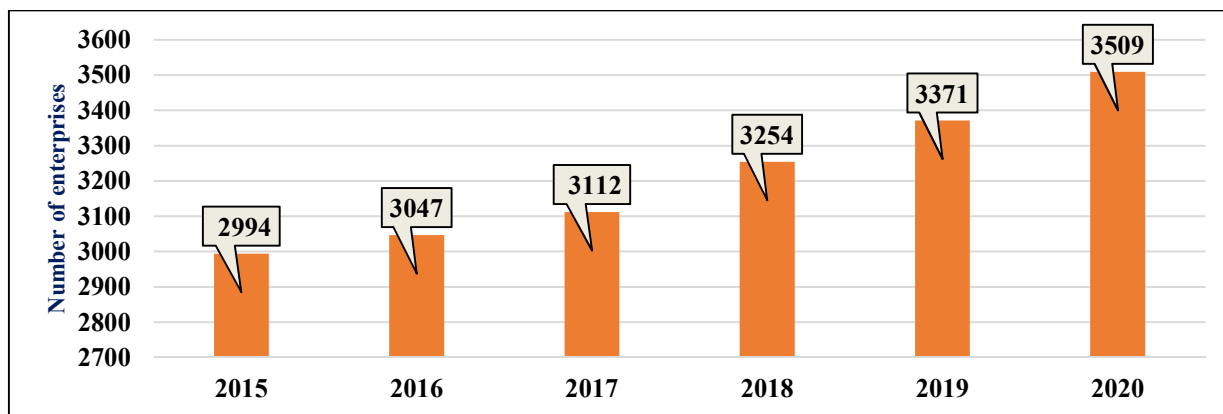


Figure 1. Dynamics of the number of entrepreneurial enterprises 2015-2020, units

Source: Prepared by the author based on data processing from [4].

Figure 1 shows the dynamics of the number of entrepreneurial enterprises in the Republic of Moldova in the period 2015-2020. The dynamics of the number of enterprises in this sector is assessed positively. For the analyzed period, continuous growth is observed. The number of enterprises increased from 2994 units to 3509 units in the period 2015-2020, which is an increase of 515 units or approximately 20.0%.

As a result of the calculations carried out, we can see that the evolution of the number of enterprises in the construction sector during the period analysed shows an upward trend, but at a moderate annual growth rate.

Table 1

Volume of construction works carried out in 2020

Volume of construction works	Achievements, million lei	In % compared with:	
		2019	Total
On the structural elements of the work:			
New construction works	7437.4	108.7	49.3
Capital repair works	3790.2	110.2	25.1
Routine maintenance and repairs	3601.8	120.3	23.9
Other works	261.6	115.4	1.7
On construction objects:			
Residential buildings	4055.4	113.1	26.9
Non-residential buildings	3781.4	93.4	25.1
Engineering construction	6992.6	124	46.3
Other works	261.6	115.4	1.7
TOTAL	15091	111.8	100

Source: Prepared by the author based on data processing from [4].

The National Bureau of Statistics informs that in 2020, according to the specified data, construction works were carried out by construction enterprises to the amount of 15,1 billion lei (see Table 1), which is 11,8% more (in comparable prices) than in 2019.

By elements of the structure of works executed, in 2020 compared to 2019, the volume of new construction works increased by 8.7%, the volume of current maintenance and repair works - by 20.3%. Of the total volume of works carried out in 2020, the largest share of new construction works accounted for 49.3%.

By construction object, in 2020 compared to 2019, the volume of work carried out on residential buildings increased by 13.1% and on engineering construction by 24.0%, while the volume of work on non-residential buildings decreased by 6.6%.

The dynamics of sales revenue of entrepreneurial businesses over the period 2015-2020 are shown in *Figure 2*.

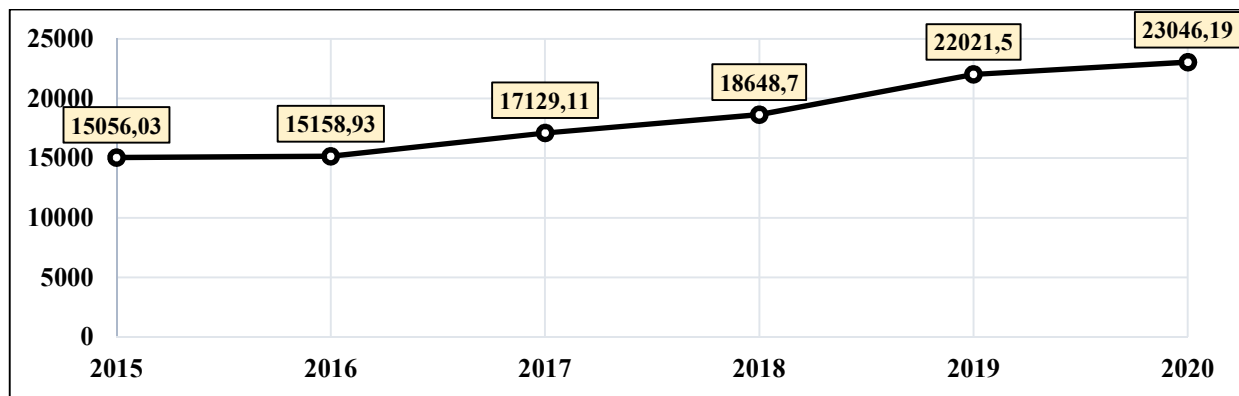


Figure 2. Dynamics of sales revenues of entrepreneurial enterprises in the period 2015-2020, million lei

Source: Prepared by the author based on data processing from [4].

According to the data presented in *Figure 2*, the sales revenues of construction companies amounted to 111,060 million lei in the period 2015-2020. It should be noted that the indicator analyzed has a constant growth dynamic. At the same time, the evolution of sales revenue is quite moderate, with an average annual growth rate of 1.04%.

This has contributed to an increase in the number of businesses in this type of activity (see *Figure 3*).

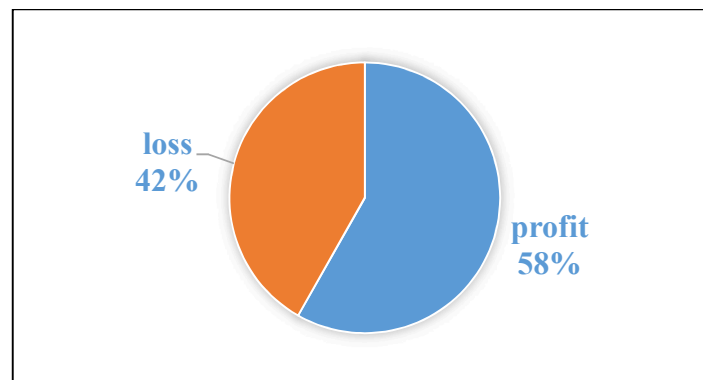


Figure 3. Structure of construction enterprises by activity result, profit/loss for 2020, %

Source: Prepared by the author based on data processing from [4].

Figure 3 shows that at the end of 2020, about 58% of construction companies were making a profit and 42% were making a loss. This may be due to the high volume of investment in this period for new construction or renovation and the low volume of sales due to exaggerated prices per 1m².

It is also worth analysing how the net profit of entrepreneurial businesses evolved over the period 2015-2020 (see *Figure 4*).

From *Figure 4* it can be seen that the net profit of construction companies in the Republic of Moldova was increasing from 2015 to 2018. In 2019 due to the decrease in sales there was a sharp decrease in this indicator. Currently, the supply of construction product is very high in both primary and secondary market and the sales volume is quite low, which will lead to the decrease of profit of economic agents in the near future.

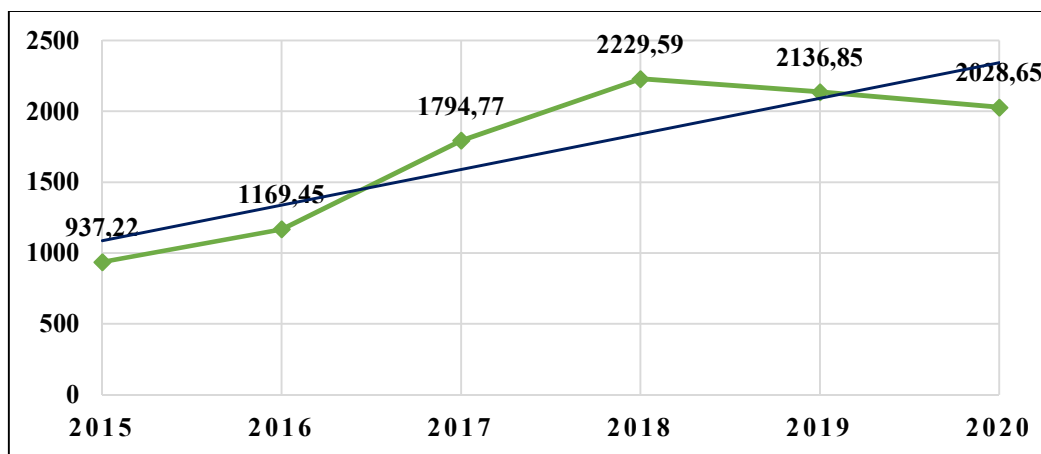


Figure 4. Evolution of net profit of construction companies in the period 2015-2020, million lei

Source: Prepared by the author based on data processing from [4].

One of the basic prerequisites for ensuring the efficiency of any business is the qualitative provision of staff. It can be seen that there has been a downward trend in the average number of staff over the last two years. Thus, in 2020, 30252 people were employed in the construction sector. This can be explained by the negative influence of the Covid-19 Pandemic, which affected all branches of the national economy. At the same time, with the acute shortage of skilled construction professionals, the situation in the contracting companies has worsened.

It would be good for the state to get more involved in the construction sector through various facilities for investors and beneficiaries, adapting the legislation and technical-economic regulations to the real situation in the country and creating the conditions for fair competition in the real estate market. The only way to ensure further development will be to increase labour productivity by introducing new technologies and methods of organizing production, followed by more progressive methods of incentivizing staff.

Conclusion

The construction industry remains a very important area in the economy of any country that depends directly on the economic and political situation in the country. As research has shown, the field of construction is quite profitable, which makes it attractive to various investors. With a circus evolution, the construction industry in the Republic of Moldova confirms an upward trend of its evolution, contributing to the improvement of living standards and the development of the national economy as a whole.

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